

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Union	County Isabella
Audit Date 12/31/2003	Opinion Date 04/30/2004	Date Accountant Report Submitted to State: June 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name)
Page, Olson & Company, P.C., CPA's

Street Address
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City
Mt. Pleasant

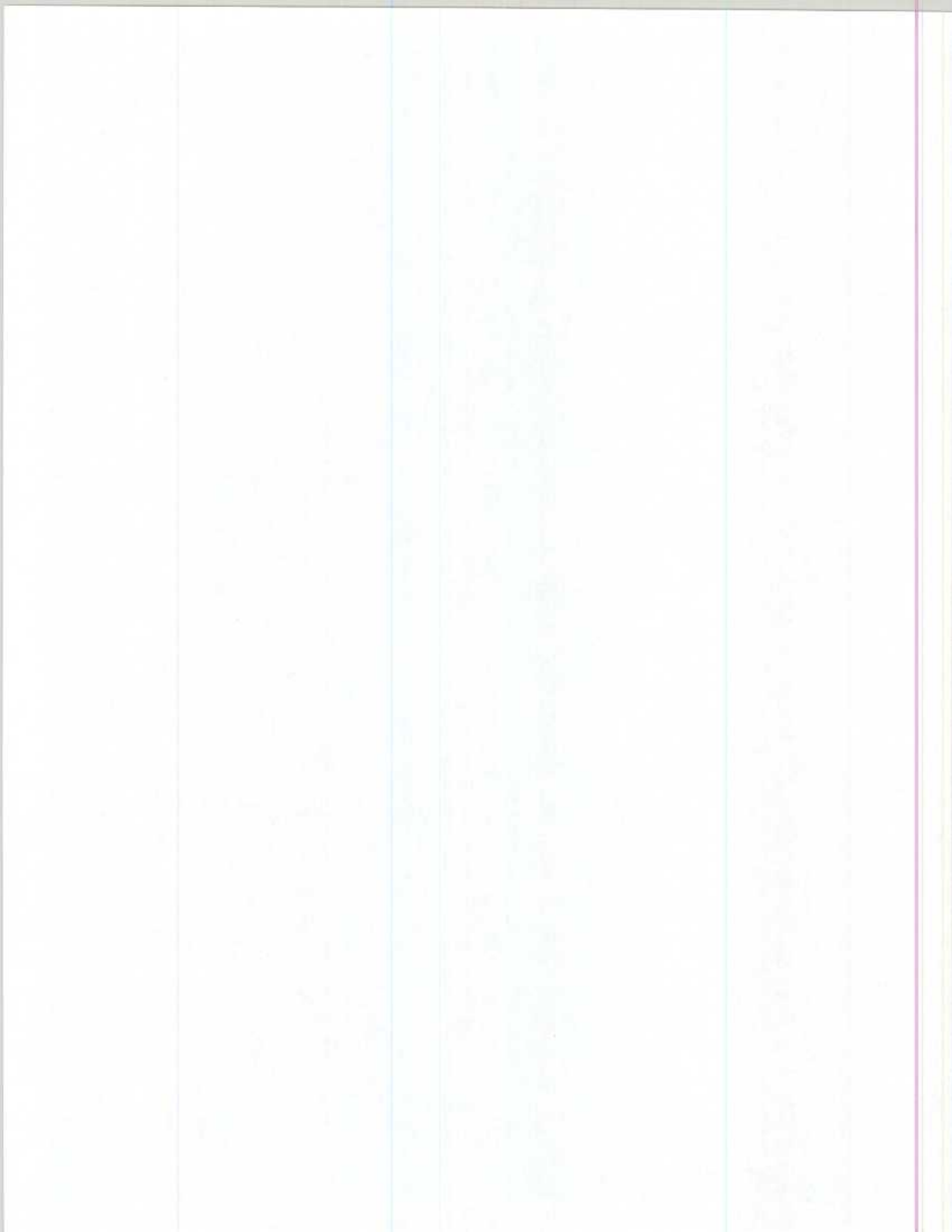
State
MI

ZIP
48804-0368

Accountant Signature



CHARTER TOWNSHIP OF UNION
ISABELLA COUNTY
STATE OF MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003



CHARTER TOWNSHIP OF UNION
YEAR ENDED DECEMBER 31, 2003

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YEAR ENDED DECEMBER 31, 2003

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CHARTER TOWNSHIP OF UNION
TOWNSHIP OFFICIALS
YEAR ENDED DECEMBER 31, 2003

SUPERVISOR

James Collin

TRUSTEES

Marian McDonald

Herbert Hills

Russell Alwood

John Verwey

TREASURER

Deborah Supka

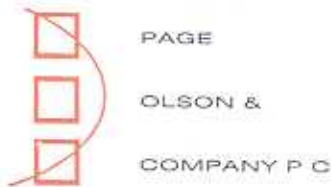
CLERK

Susan Gilpin

SUPERINTENDENT

Gwen Plowman

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INDEPENDENT AUDITORS' REPORT

April 30, 2004

Township Board
Charter Township of Union
Isabella County, Michigan

We have audited the accompanying general-purpose financial statements of the Charter Township of Union as of and for the year ended December 31, 2003 as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Union as of December 31, 2003, and the results of its operations and cash flows of its Proprietary Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated April 30, 2004 on our consideration of the Charter Township of Union's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining, individual fund, account group and component unit financial statements, schedules, and compliance section identified in the Table of Contents as Supplemental Data, are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information relative to December 31, 2003 and for the year then ended has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole. Such information relative to December 31, 2002 and for the year then ended was subjected to auditing procedures applied in the audit of the general-purpose financial statements for the year ended December 31, 2002 and is presented herein for comparison purposes only.

Page, Olson & Company 3

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GENERAL PURPOSE FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF UNION
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2003

Statement I

	Governmental Fund Types		Proprietary		Fiduciary		Account Groups				Total Primary		Component Units		Total Reporting Entity (Memorandum Only)
	Fund Type		Fund Type		Fund Type		General		Government		East DDA		West DDA		
	General	Special Revenue	Enterprise	Agency	Trust and	Fixed Assets	Long-Term Debt	(Memorandum Only)							
ASSETS AND OTHER DEBITS															
ASSETS															
Cash and Investments	\$ 980,758	\$ 419,563	\$ 3,901,768	\$ 74,675	\$ -	\$ -	-	\$ 5,376,764	\$ 207,382	\$ 440,616	\$ 6,024,762				
Accounts Receivable	97,300	-	498,810	-	-	-	-	596,110	-	-	596,110				
Taxes Receivable	136,076	186,049	-	-	-	-	-	322,125	1,996	2,065	326,186				
Interest Receivable	-	15	55,423	-	-	-	-	55,438	-	16,905	72,343				
Due from Other Funds	74,345	-	-	-	-	-	-	74,345	-	-	74,345				
Due from Component Units	95	100	-	-	-	-	-	195	-	-	195				
Due from Other Governments	-	-	223,306	-	-	-	-	223,306	-	-	223,306				
Special Assessments Receivable	-	-	1,418,602	-	-	-	-	1,418,602	-	411,470	1,830,072				
Inventory	-	-	14,180	-	-	-	-	14,180	-	-	14,180				
Prepaid Items	15,024	886	62,204	-	-	-	-	78,114	56,000	26,000	160,114				
Restricted Cash and Investments	-	-	67,320	-	-	-	-	67,320	-	-	67,320				
Discount on Bonds	-	-	74,579	-	-	-	-	74,579	-	-	74,579				
Bond Issue Costs	-	-	91,188	-	-	-	-	91,188	-	-	91,188				
Deferred Loss	-	-	492,208	-	-	-	-	492,208	-	-	492,208				
Property, Plant, and Equipment	-	-	20,830,057	-	-	1,764,386	-	22,594,443	-	-	22,594,443				
Net of Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-				
OTHER DEBITS															
Amounts Available in Debt	-	-	-	-	-	-	-	-	116,119	184,242	300,361				
Funds	-	-	-	-	-	-	-	-	-	-	-				
Amounts to be Provided for	-	-	-	-	-	-	-	-	-	-	-				
Retirement of General Long-Term Debt	-	-	-	-	-	-	-	124,722	984,878	930,740	2,040,340				
TOTAL ASSETS AND OTHER DEBITS															
	\$ 1,303,598	\$ 606,613	\$ 27,729,645	\$ 74,675	\$ 1,764,386	\$ 124,722	\$ 124,722	\$ 31,603,639	\$ 1,366,375	\$ 2,012,038	\$ 34,982,052				

The accompanying notes are an integral part of the financial statements.

	Governmental Fund Types			Proprietary	Fiduciary	Account Groups			Total Primary	Component Units		Total
	Fund Type			Fund Type	Fund Type	General			Government			Reporting
	General	Special Revenue	Enterprise	Trust and Agency	General Fixed Assets	Long-Term Debt	(Memorandum Only)	East DDA	West DDA	(Memorandum Only)		
<u>LIABILITIES, EQUITY, AND OTHER CREDITS</u>												
<u>LIABILITIES</u>												
Accounts Payable	\$ 3,422	\$ 1,897	\$ 13,001	\$ -	\$ -	\$ -	\$ 18,320	\$ 723	\$ -	\$ -	\$ -	\$ 19,043
Vested Benefits Payable - Due to Other Funds	5,232	577	13,438	-	-	-	19,247	-	-	-	-	19,247
Due to Primary Government	-	-	-	74,345	-	-	74,345	-	-	-	-	74,345
Accrued Interest Payable	-	-	-	-	-	-	-	165	30	-	-	195
Retainage Payable	-	-	172,657	-	-	-	172,657	-	-	-	-	172,657
Deferred Revenue	-	80,000	11,948	-	-	-	11,948	-	-	-	-	11,948
Vested Benefits Payable - Long-Term	-	-	-	-	-	-	80,000	37,881	418,230	-	-	536,111
Bonds Payable - Current	-	-	25,562	-	-	9,946	35,508	-	-	-	-	35,508
Undistributed Receipts	-	-	615,000	-	-	-	615,000	-	-	-	-	615,000
Bonds Payable - Long-Term	-	-	-	330	-	-	330	-	-	-	-	330
Capital Lease Payable	-	-	11,620,000	-	-	-	11,620,000	1,100,997	1,114,982	-	-	13,835,979
	-	-	-	-	-	114,776	114,776	-	-	-	-	114,776
TOTAL LIABILITIES	8,654	82,474	12,471,606	74,675	-	124,722	12,762,131	1,139,766	1,533,242	15,435,139		
<u>EQUITY AND OTHER CREDITS</u>												
Investment in General Fixed Assets	-	-	-	-	1,764,386	-	1,764,386	-	-	-	-	1,764,386
Retained Earnings - Reserved	-	-	465,964	-	-	-	465,964	-	-	-	-	465,964
Retained Earnings - Unreserved	-	-	14,792,075	-	-	-	14,792,075	-	-	-	-	14,792,075
Fund Balance Reserved	15,024	886	-	-	-	-	15,910	172,119	210,242	398,271		
Unreserved - Undesignated	1,279,920	523,253	-	-	-	-	1,803,173	54,490	268,554	2,126,217		
TOTAL EQUITY AND OTHER CREDITS	1,294,944	524,139	15,258,039	-	1,764,386	-	18,841,508	226,609	478,796	19,546,913		
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$1,303,598	\$ 606,613	\$27,729,645	\$ 74,675	\$1,764,386	\$ 124,722	\$ 31,603,639	\$1,366,375	\$2,012,038	\$ 34,982,052		

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF UNION
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2003

Statement II

	Governmental Fund Types		Total Primary Government (Memorandum Only)	Component Units		Total Reporting Entity (Memorandum Only)
	General	Special Revenue		East DDA	West DDA	
<u>REVENUE</u>						
Taxes	\$ 261,437	\$ 366,480	\$ 627,917	\$ 737,537	\$ 280,919	\$ 1,646,373
Special Assessment Revenue	6,929	-	6,929	-	-	6,929
Penalties and Interest on Taxes	6,882	8	6,890	-	-	6,890
Licenses and Permits	-	89,949	89,949	-	-	89,949
Intergovernmental	565,221	-	565,221	-	-	565,221
Interest and Dividend Earnings	8,108	1,689	9,797	4,698	38,568	53,063
Rents and Royalties	47,402	-	47,402	-	-	47,402
Other	14,279	25	14,304	-	-	14,304
TOTAL REVENUE	910,258	458,151	1,368,409	742,235	319,487	2,430,131
<u>EXPENDITURES</u>						
Legislative	48,213	-	48,213	-	-	48,213
General Government	266,442	-	266,442	96,903	7,494	370,839
Public Safety	5,200	416,184	421,384	-	-	421,384
Planning	-	15,349	15,349	-	-	15,349
Public Works	100,701	-	100,701	-	-	100,701
Recreation	51,471	-	51,471	-	-	51,471
Insurance and Fringe Benefits	101,814	13,939	115,753	-	-	115,753
Debt Service	-	27,077	27,077	437,665	211,936	676,678
Other	3	-	-	-	-	-
TOTAL EXPENDITURES	573,844	472,549	1,046,390	534,568	219,430	1,800,388
EXCESS REVENUE OVER (UNDER) EXPENDITURES	336,414	(14,398)	322,019	207,667	100,057	629,743
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers Out to Primary Government	-	-	-	(105,038)	(25,000)	(130,038)
Transfers In From Component Units	-	130,038	130,038	-	-	130,038
Transfers Out to Other Funds	(60,494)	-	(60,494)	(386,852)	(134,420)	(581,766)
Transfers In From Other Funds	-	60,494	60,494	386,852	134,420	581,766
TOTAL OTHER FINANCING SOURCES (USES)	(60,494)	190,532	130,038	(105,038)	(25,000)	-
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	275,920	176,134	452,057	102,629	75,057	629,743
FUND BALANCE - JANUARY 1	1,019,024	348,005	1,367,029	123,980	403,739	1,894,748
FUND BALANCE - DECEMBER 31	\$ 1,294,944	\$ 524,139	\$ 1,819,086	\$ 226,609	\$ 478,796	\$ 2,524,491

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF UNION
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2003

Statement III

	General Fund			Special Revenue Funds		
	Budget	Actual	(Over) Under Budget	Budget	Actual	(Over) Under Budget
REVENUE						
Taxes	\$ 216,000	\$ 261,437	\$ (45,437)	\$ 315,500	\$ 366,480	\$ (50,980)
Special Assessment Revenue	6,500	6,929	(429)	-	-	-
Penalties and Interest on Taxes	7,025	6,882	143	25	8	17
Licenses and Permits	100	-	100	77,500	89,949	(12,449)
Intergovernmental	605,574	565,221	40,353	-	-	-
Interest and Dividend Earnings	8,500	8,108	392	1,700	1,689	11
Rents and Royalties	45,450	47,402	(1,952)	-	-	-
Other	16,872	14,279	2,593	-	25	(25)
TOTAL REVENUE	906,021	910,258	(4,237)	394,725	458,151	(63,426)
EXPENDITURES						
Legislative	59,000	48,213	10,787	-	-	-
General Government	331,185	266,442	64,743	-	-	-
Public Safety	5,450	5,200	250	438,050	416,184	21,866
Planning	-	-	-	26,880	15,349	11,531
Public Works	348,713	100,701	248,012	-	-	-
Recreation	78,200	51,471	26,729	-	-	-
Insurance and Fringe Benefits	137,400	101,814	35,586	19,440	13,939	5,501
Debt Service	-	-	-	27,078	27,077	1
Other	3,000	3	2,997	-	-	-
TOTAL EXPENDITURES	962,948	573,844	389,104	511,448	472,549	38,899
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(56,927)	336,414	(393,341)	(116,723)	(14,398)	(102,325)
OTHER FINANCING SOURCES (USES)						
Transfers In From Component Units	-	-	-	130,038	130,038	-
Transfers Out to Other Funds	(60,494)	(60,494)	-	-	-	-
Transfers In from Other Funds	-	-	-	60,494	60,494	-
TOTAL OTHER FINANCING SOURCES (USES)	(60,494)	(60,494)	-	190,532	190,532	-
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(117,421)	275,920	(393,341)	73,809	176,134	(102,325)
FUND BALANCE - JANUARY 1	1,019,024	1,019,024	-	348,005	348,005	-
FUND BALANCE - DECEMBER 31	\$ 901,603	\$ 1,294,944	\$ (393,341)	\$ 421,814	\$ 524,139	\$ (102,325)

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF UNION
 PROPRIETARY FUNDS
 COMBINED STATEMENT OF REVENUE, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2003

Statement IV

OPERATING REVENUE

Charges for Services and Sales
 Special Assessments
 Miscellaneous

Enterprise
 Funds

\$ 2,847,429
 196,766
3,639

TOTAL OPERATING REVENUE

3,047,834

OPERATING EXPENSES

Current Operations
 Depreciation

1,171,394
598,720

TOTAL OPERATING EXPENSES

1,770,114

OPERATING INCOME (LOSS)

1,277,720

NON-OPERATING REVENUE (EXPENSES)

Benefit Fees
 Interest Income
 Interest and Fees Expense
 Bond Issue Costs
 Royalties
 Gain on Sale of Assets
 Contribution from Saginaw Chippewa Indian Tribe
 Refunds and Rebates

66,108
 129,323
 (651,970)
 (36,474)
 (8,427)
 -
 410,250
(700)

TOTAL NON-OPERATING REVENUE (EXPENSE)

(91,890)

NET INCOME (LOSS)

1,185,830

RETAINED EARNINGS - JANUARY 1

14,072,209

RETAINED EARNINGS - DECEMBER 31

\$ 15,258,039

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF UNION
 PROPRIETARY FUNDS
 COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

Statement V

	<u>Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 1,277,720
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	598,720
Special Assessment Revenue	(196,766)
Changes in Assets and Liabilities	
Accounts Receivable	(30,032)
Accounts Payable	(73,263)
Due from Other Funds	7,140
Prepaid Expenses	(13,145)
Inventory	1,148
Vested Benefits Payable	6,344
Due from Other Governments	(2,209)
Retainage Payable	(26,135)
Due to Other Funds	(7,140)
TOTAL CHANGES IN ASSETS AND LIABILITIES	(137,292)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,542,382
<u>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Refunds and Rebates	(700)
Contribution From Saginaw Chippewa Indian Tribe	410,250
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	409,550
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Payments of Special Assessments	232,865
Purchases of Fixed Assets	(346,123)
Principal Paid on Bonds	(605,001)
Interest Paid on Bonds	(651,819)
Benefit Fees	66,108
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,303,970)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	123,111
Royalties Paid	(8,427)
Investments (Purchased)/Sold	(774,594)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(659,910)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (11,948)
CASH AND CASH EQUIVALENTS - JANUARY 1	148,533
CASH AND CASH EQUIVALENTS - DECEMBER 31	\$ 136,585

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF UNION
 PROPRIETARY FUNDS
 COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

Statement V

RECONCILIATION TO STATEMENT I - ENTERPRISE FUNDS

	Cash and Cash Equivalents	Investments	Total
Cash and Investments	\$ 115,026	\$ 3,786,742	\$ 3,901,768
Restricted Cash and Investments	<u>21,559</u>	<u>45,761</u>	<u>67,320</u>
 TOTAL CASH AND INVESTMENTS REPORTED IN ENTERPRISE FUNDS	 <u>\$ 136,585</u>	 <u>\$ 3,832,503</u>	 <u>\$ 3,969,088</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Union is a township with a population in excess of 4,000 people. The Township is governed by a seven-member board of officials, elected by the Township electorate. The more significant of the government's accounting policies are described below. Component Units follow the same policies as the primary government unless otherwise indicated.

A. DEFINITION OF THE REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14.

Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationships with the Township.

Blended Component Units - Certain component units, despite being legally separate from the Township, are so intertwined with the Township's operations that they are, in substance, the same as the Township. The Township has no component units that warrant being included as primary Township operations.

Discretely Presented Component Units - The Component Units columns in the combined financial statements, if applicable, include the financial data of the Township's other component units. They are reported in a separate column to emphasize that they are legally separate from the Township and not generally considered to be part of Township operations.

Based upon the application of the above criteria, the following is a brief review of each potential agency or operation considered for inclusion in defining the government's reporting entity and on what basis it is being presented.

Downtown Development Authorities (DDA)

The Township appoints a voting majority, is able to impose its will, and has incurred specific financial burdens in the form of G.O. Bonds; however, the DDA's are fiscally independent. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the East and West DDA of the Charter Township of Union have been discretely presented. Each DDA Component Unit consists of a Special Revenue Fund, one or more Debt Service Funds and a General Long-Term Debt Account Group. The DDA's do not issue any other formal financial statements except as contained in the Charter Township of Union's General Purpose and Supplemental Financial Statements.

B. BASIS OF PRESENTATION

The accounts of the Township are organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equities, revenue, and expenditures or expenses, as appropriate.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

The various funds of the Township and its component units are as follows:

GOVERNMENTAL FUNDS

General Fund - This Fund is used to account for all financial transactions of the primary government except those required to be accounted for in another fund. The General Fund includes the general operating expenditures of the Charter Township of Union. Revenue is derived primarily from property taxes, state distributions, rentals, and other intergovernmental revenues.

Special Revenue Funds - These Funds are used to account for specific governmental revenue (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds - These Funds are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of Downtown Development Authority Debt.

PROPRIETARY FUNDS

Enterprise Funds - These Funds report operations of the Township's utility operations which are financed primarily by user charges. The funds are financed and operated like a private business enterprise which requires periodic measurement of net income for capital maintenance, public policy, management control, or other purposes.

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the Township as an agent for individuals, private organizations, employees, other governments, and/or funds.

ACCOUNT GROUPS

In addition to the three broad categories of funds, the Township also maintains two Account Groups, as described below:

General Fixed Assets Account Group - This Account Group presents the fixed assets that the Township utilizes in its general operations (nonproprietary fixed assets).

General Long-Term Debt Account Group - This Account Group presents the balance of general obligation long-term debt which is not recorded in Proprietary Funds.

These two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING

Basis of accounting refers to how revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting, as required under accounting principles generally accepted in the United States, varies for each fund.

General, Special Revenue, Debt Service, Capital Projects, and Trust and Agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable; expenses are recognized in the accounting period incurred, if measurable.

The accounting policies of the Charter Township of Union conform to accounting principles generally accepted in the United States as applicable to governmental entities. The accounting books and records of the Charter Township of Union are maintained on the cash basis of accounting during the year. They are converted to the accrual basis of accounting at year end through various adjusting entries, with the exception of the governmental funds which are converted to the modified accrual basis of accounting, as required by accounting principles generally accepted in the United States as applicable to governmental entities. The Township applies applicable FASB pronouncements in accounting and reporting for its proprietary operations.

D. BUDGETARY COMPARISONS

Budgets are adopted by the Charter Township of Union for the General, Special Revenue, and Capital Project Funds. Accounting principles generally accepted in the United States require that the financial statements present budgetary comparisons for the General and Special Revenue Funds and for other governmental funds for which budgets are legally adopted. Accordingly, Statement III includes a comparison to the formally adopted budgets for the General and Special Revenue Funds.

Initially adopted budgets were altered throughout the year through budget amendments. The budget amounts reported reflect all amendments adopted. Budget appropriations lapse at each fiscal year end.

The Township also adopted informational summaries for the Enterprise Funds but, since accounting principles generally accepted in the United States do not require a comparison to budget for these funds, a budgetary comparison is not presented.

E. CASH AND INVESTMENTS

Township investments are stated at cost and throughout the year consisted of commercial paper and bankers acceptances purchased through Cadre Securities, money market savings accounts, and checking accounts.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CASH AND INVESTMENTS (CONTINUED)

For the purpose of the Statement of Cash Flows presented for the Enterprise Funds, the Township considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be Cash Equivalents.

F. COMMON CHECKING

The Water Fund and Sewer Fund share a common checking account. It is possible, at certain points during the year, that some funds show a negative checking balance. When this occurs, this represents a type of temporary interfund borrowing.

G. ACCOUNTS RECEIVABLE/DEFERRED REVENUE

The Township recognizes receivables in its various funds based on the accounting basis required for that fund. These receivables include the following:

Taxes Receivable - Taxes Receivable consists of the total amount levied and collectible on December 1 less any amounts collected during the month of December. Accounting principles generally accepted in the United States require property taxes to be recorded as revenue in the period for which the taxes are levied.

Accounts Receivable/Due from Other Governmental Units - Consists of amounts owed by customers and other governments. Uncollectible amounts due from customers are considered immaterial; unpaid balances can be added to the tax roll and become a lien against the property.

Interest Receivable - Consists of interest earned on investments but not yet received at year end.

Deferred Revenue - Consists of amounts that may not be received during the next year or whose ultimate collection is questionable.

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as Due from Other Funds and Due to Other Funds on the Balance Sheet.

I. INVENTORIES AND PREPAIDS

The Township follows the policy of not recording inventories in governmental funds. The effect of not recording inventories is considered to be immaterial.

Inventories of a material amount in the Proprietary fund types follow the consumption method and are reported at cost using the first-in, first-out flow method.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. INVENTORIES AND PREPAIDS (CONTINUED)

The Township follows the practice of recording as prepaid expenditures/ expense those purchases that are made in the current year that will benefit future periods following a consumption method of accounting for prepaid items.

Reported balances for prepaid items are equally offset by a fund balance reserve in governmental funds to indicate that these balances do not constitute "available spendable resources" even though they are a component of net current assets.

J. FIXED ASSETS

Purchases of fixed assets are recorded as capital assets in the Enterprise Funds at the time of acquisition and, accordingly, the in-service utilities' property and equipment (sewage and water systems) are capitalized at historical cost in the Enterprise Funds. Depreciation has been provided using the straight-line method over the assets' estimated useful lives.

Fixed assets acquired in governmental fund types are recorded as expenditures when purchased. Such assets are capitalized at historical cost and reported in the general fixed assets account group. Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems) are not capitalized.

The Township does not capitalize interest on construction expenditures.

K. RESTRICTED ASSETS

Certain restricted Cash and Investment accounts have been established as required by bond ordinance or grantor requirements. The corresponding reservations of equity are discussed in Note 6.

L. LONG-TERM DEBT

Long-Term Liabilities expected to be financed from Governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the Governmental funds. Long-Term Liabilities expected to be financed from Enterprise funds are accounted for in the Enterprise funds.

M. VESTED TERMINATION BENEFITS

Using the criteria established in Governmental Accounting Standards Board (GASB) Statement 16, a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place. Criteria for recognition of these two basic types of compensated absences are as follows:

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. VESTED TERMINATION BENEFITS (CONTINUED)

1. Vacation and Similar Leave Absences - should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:
 - a. The employees' rights to receive compensation are attributable to services already rendered.
 - b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.
2. Sick and Similar Leave Absences - should be accrued using one of the following termination approaches:
 - a. Under the Termination Payment Method, a liability should be accrued as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.
 - b. Under the Vesting Method, a liability should be based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments.

GASB Statement 16 states that "since governmental fund balance sheets reflect current liabilities, only the current portion of the liability should be reported in the fund." The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability should be reported in the General Long-Term Debt Account Group.

The current portion of vacation benefits is considered to be any amount up to the amount the employee will receive in the following year. The portions above that amount are considered long-term and are reported in the General Long-Term Debt Account Group. Township employees are not compensated for sick leave type benefits upon separation of employment and, therefore, no liability has been reflected.

N. FUND EQUITY

Reservations

Reservations are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure. These include such assets as prepaid expenditures, or inventories which cannot be "re-spent", and noncurrent assets (long-term accounts receivable and long-term advances to other funds).

Designations

Designations of fund balance are established to identify plans for, or restrictions on, the future use of financial resources. Designations require the action of the Township Board.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. PROPERTY TAXES

The Charter Township of Union levies a millage of 0.9659 mills for general operations and 2.1898 mills for fire department operations.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 14, at which date they become delinquent.

Receipts of current and delinquent property taxes are recognized as revenue on a levy year basis. Revenue recognized for the year ended December 31, 2003 represent collections through December 31, 2003 on the 2003 levy plus any amount collectible after year end. Isabella County, the County in which the Charter Township of Union is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. An estimate for the amount of uncollectible delinquent personal property taxes has been made.

P. BOND ISSUE COSTS

Costs associated with the issuance of bonds in proprietary funds of Union Township are deferred and amortized over the life of the bonds on the straight-line basis. Costs incurred in governmental funds for the issuance of bonds are recognized as expenditures when incurred.

Q. DISCOUNT ON BONDS

A discount on bonds results when less than the face value of the bonds is received when the bonds are issued. This difference is a result of investors requiring a higher interest rate to purchase the bonds than the interest rate that is on the face of the bonds.

This discount is recorded as a noncurrent asset in proprietary funds and amortized as a component of interest expense over the life of the bonds on the effective interest method. Discounts recognized in governmental funds are recognized at the point of sale.

R. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Charter Township of Union does not have any benefits that meet the reporting requirement as post-employment benefits other than pensions.

S. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position or results of operations or cash flows in accordance with accounting principles generally accepted in the United States. Interfund eliminations have not been made in the aggregation of this data.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in three financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of the United States banks; obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligation described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

At year end, the carrying value of cash and investments held by the Charter Township of Union is as follows:

	Primary Government	Component Units	Total Reporting Entity
Petty Cash	\$ 400	\$ -	\$ 400
Deposits with Financial Institutions			
Time and Interest Bearing Deposits	822,961	646,428	1,469,389
Investments			
U.S. Governmental Securities	4,620,723	1,570	4,622,293
Grand Totals - Cash and Investments	<u>\$ 5,444,084</u>	<u>\$ 647,998</u>	<u>\$ 6,092,082</u>

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Reconciliation to Statement I

The following is a reconciliation of the amounts reported in Statement I to the carrying amount of the Township Deposits and Investments:

	Primary Government	Component Units	Total Reporting Entity
Cash and Investments	\$ 5,376,764	\$ 647,998	\$ 6,024,762
Restricted Cash and Investments	<u>67,320</u>	<u>-</u>	<u>67,320</u>
Totals	<u>\$ 5,444,084</u>	<u>\$ 647,998</u>	<u>\$ 6,092,082</u>

Deposits with Financial Institutions

At year end, the carrying amount of the Charter Township of Union and its Component Units' deposits was \$1,469,390, and the bank balance was \$3,436,787. Of the bank balance, \$492,354 was covered by federal depository insurance and \$2,944,433 was uninsured and uncollateralized. Of the book balance \$491,263 was covered by federal depository insurance and \$978,127 was uninsured and uncollateralized.

Larger amounts of deposits with financial institutions were uninsured and uncollateralized during the year than at year end due to collections of property taxes being made over short periods of time.

Investments

Township investments can be classified into three categories to give an indication of the level of risk assumed by the Township. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

The Township's investments held at year end are classified as follows:

<u>Investment In:</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Agency Discount Notes	<u>\$ -</u>	<u>\$ 4,622,293</u>	<u>\$ -</u>	<u>\$ 4,622,293</u>	<u>\$ 4,622,293</u>

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE

Interfund receivable and payable balances at December 31, 2003, are as follows:

	<u>Transactions Between Funds</u>
<u>INTERFUND RECEIVABLES</u>	
<u>PRIMARY GOVERNMENT</u>	
<u>General Fund</u>	
Current Tax Collections	\$ 1,205
Payroll	73,140
<u>Component Unit</u>	
East DDA Operating	65
West DDA Operating	30
<u>Special Revenue Funds</u>	
Construction Code Enforcement Fund	
Component Unit	
East DDA Operating	<u>100</u>
 TOTAL INTERFUND RECEIVABLE	 <u>\$ 74,540</u>
<u>INTERFUND PAYABLES</u>	
<u>PRIMARY GOVERNMENT</u>	
<u>Trust and Agency Funds</u>	
Current Tax Collection	
General Fund	1,205
<u>Payroll</u>	
General Fund	<u>73,140</u>
 Total Primary Government	 74,345
<u>Component Units</u>	
East DDA Operating	
Union Township General Fund	\$ 65
Union Township Construction Code Enforcement Fund	100
West DDA Operating	
Union Township General Fund	<u>30</u>
 Total Component Units	 <u>195</u>
 TOTAL INTERFUND PAYABLE	 <u>\$ 74,540</u>

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 4 - CHANGES IN FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance 01/01/03	Additions	Retirements	Balance 12/31/03
Land and Improvements	\$ 431,573	\$ 78,088	\$ -	\$ 509,661
Buildings and Improvements	734,986	-	-	734,986
Equipment and Vehicles	509,180	10,559	-	519,739
 Total General Fixed Assets	 \$ 1,675,739	 \$ 88,647	 \$ -	 \$ 1,764,386

The following is a summary of Enterprise Fund fixed assets:

Sewer System	\$ 10,125,473
Water System	7,547,010
Wastewater Treatment Plant	8,429,828
Land and Improvements	129,076
Buildings and Improvements	-
Equipment	747,682
Vehicles	220,785
Construction in Progress	151,937
 Total	 27,351,791
 Accumulated Depreciation	 (6,521,734)
 Net Cost	 \$ 20,830,057

Depreciation is computed based on the useful lives of the assets which is between 5-50 years.

NOTE 5 - LONG TERM DEBT

The following is a summary of the long-term debt transactions of the Township and its component units for the year ended December 31, 2003:

PRIMARY GOVERNMENT

A summary of changes in long-term debt reported in the General Long-Term Debt Account Group follows:

	Balance 01/01/03	Additions	Retirements	Balance 12/31/03
Capital Lease	\$ 134,115	\$ -	\$ 19,339	\$ 114,776
Vested Benefits	6,400	3,546	-	9,946
 Total General Long-Term Debt	 \$ 140,515	 \$ 3,546	 \$ 19,339	 \$ 124,722

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)
PRIMARY GOVERNMENT (CONTINUED)

The Balance at December 31, 2003 is made up of the following:

Capital Leases

During the year ended December 31, 1998 the Township entered into a lease purchase agreement with ABN AMRO, Inc. for a Fire Truck. The total issue of \$201,482 is due in annual installments of \$27,077, through 2008, including interest at 5.76%. A Capital Lease Payable has been recorded in the General Long-Term Debt Account Group; this lease is being serviced, principal and interest, by the Fire Fund. The outstanding principal at December 31, 2003, is \$114,776.

The annual requirements to maturity for capital leases including interest of \$20,609 are as follows:

<u>Year Ended</u> <u>12/31</u>	<u>Fire Fund</u>
2004	27,077
2005	27,077
2006	27,077
2007	27,077
2008	27,077
Total	<u>\$ 135,385</u>

Vested Benefits

The long-term portion of vested benefits at December 31, 2003 is calculated at \$9,946.

A summary of changes in long-term debt reported in the Enterprise funds is as follows:

	<u>Balance</u> <u>01/01/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/03</u>
Sewer Fund	\$10,868,632	\$ -	\$ 458,800	\$10,409,832
Water Fund	1,971,368	-	146,200	1,825,168
Vested Benefits	<u>20,921</u>	<u>4,641</u>	<u>-</u>	<u>25,562</u>
Total	<u>\$12,860,921</u>	<u>\$ 4,641</u>	<u>\$ 605,000</u>	<u>\$12,260,562</u>

The balance at December 31, 2003 is made up of the following:

Special Assessment Bonds

The Township issued numerous special assessments to provide funds for construction of the Water and Sewer Systems. Debt Service is financed by special assessments levied against users within the special assessment district. The Township is contingently liable for the special assessment bonds should the amounts levied against taxpayers be insufficient to pay these bonds. These bonds are reported in the Enterprise Funds.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)
PRIMARY GOVERNMENT (CONTINUED)

Special assessment bonds outstanding at December 31, 2003 are as follows:

<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
<u>1987 Water and Sewer - Series B</u> 12/01/87	\$ 600,000	6.7%-9.5%	03/01/07	\$ 125,000
<u>1988 Water and Sewer - Series I</u> 08/01/88	695,000	7.0%-9.8%	03/01/08	185,000
<u>1988 Water and Sewer - Series II</u> 09/01/88	455,000	7.0%-10.0%	03/01/08	120,000
<u>1993 Water Refunding</u> 12/01/93	915,000	3.0%-5.7%	03/01/16	<u>475,000</u>
Total Enterprise Funds - Special Assessment Bonds				<u>\$ 905,000</u>

The debt service requirements to maturity for special assessment bonds, including interest of \$246,317 are as follows:

<u>Year Ended 12/31</u>	<u>1987 Water and Sewer Series B</u>	<u>1988 Water and Sewer Series I</u>	<u>1988 Water and Sewer Series II</u>	<u>1993 Water Refunding</u>	<u>Total</u>
2004	\$ 38,785	\$ 52,980	\$ 33,168	\$ 64,896	\$ 189,829
2005	36,400	45,055	26,403	62,816	170,674
2006	34,000	42,308	29,619	60,716	166,643
2007	36,400	44,345	27,719	58,596	167,060
2008	-	36,382	25,905	51,591	113,878
2009-2013	-	-	-	229,254	229,254
2014-2016	-	-	-	113,979	113,979
Total	<u>\$ 145,585</u>	<u>\$ 221,070</u>	<u>\$ 142,814</u>	<u>\$ 641,848</u>	<u>\$ 1,151,317</u>

Revenue Bonds Payable

The Water and Sewer Funds issued revenue bonds to finance construction of a part of the Water and Sewer systems. The revenue bonds are expected to be repaid with revenue generated by the operations of the systems. These bonds are reported in the Enterprise Funds.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)
PRIMARY GOVERNMENT (CONTINUED)

Revenue bonds outstanding at December 31, 2003, are as follows:

<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
<u>1979 Sanitary Sewer System Revenue Bonds</u>				
10/31/79	\$ 2,395,000	5.00%	08/01/19	\$ 1,525,000
<u>1980 Sanitary Sewer System Revenue Bonds</u>				
11/30/80	680,000	5.00%	08/01/20	425,000
<u>1990 Water Supply System Revenue Bonds</u>				
04/05/90	1,210,000	5.274%	08/01/28	<u>1,025,000</u>
				<u>\$ 2,975,000</u>

The annual debt service requirements to maturity for revenue bonds, including interest of \$1,408,676 is as follows:

<u>Year Ended 12/31</u>	<u>1979 Revenue Bonds</u>	<u>1980 Revenue Bonds</u>	<u>1990 Revenue Bonds</u>	<u>Total</u>
2004	\$ 141,250	\$ 36,250	\$ 104,157	\$ 281,657
2005	143,000	35,500	106,781	285,281
2006	139,500	34,750	104,224	278,474
2007	141,000	44,000	104,830	289,830
2008	142,250	42,750	103,318	288,318
2009-2013	721,250	195,000	512,741	1,428,991
2014-2018	687,500	173,500	423,400	1,284,400
2019-2023	<u>126,000</u>	<u>75,250</u>	<u>-</u>	<u>201,250</u>
Total	<u>\$ 2,241,750</u>	<u>\$ 637,000</u>	<u>\$ 1,459,451</u>	<u>\$ 4,338,201</u>

County Bonds - Wastewater Treatment Plant Project Bonds

Isabella County, on behalf of the Township, issued Wastewater Treatment Plant Project Bonds. The Township is responsible for payment of such bonds. Most expenditures of the project are being handled by the County using bond proceeds and interest earned on that account. The expenditures made both by the County and the Township are reflected in the Township's Sewer Fund as Wastewater Treatment Plant. When the project is completed, any remaining monies will be transferred to the Township's Sewer Fund to help make future debt payments. The outstanding liability is reported as Bonds Payable in the Sewer Fund. The callable portion of these bonds, maturities on and after October 1, 2007, were refunded July 24, 2001.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)
PRIMARY GOVERNMENT (CONTINUED)

County Wastewater Treatment Plant Project Bonds Outstanding at December 31, 2003 are as follows:

<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
<u>1999 County Bonds</u>				
11/01/99	\$ 9,000,000	5.0%-6.0%	10/01/06	\$ 960,000
<u>2001 County Refunding Bonds</u>				
07/24/01	7,605,000	4.0%-5.1%	10/01/21	<u>7,395,000</u>
				<u>\$ 8,355,000</u>

The debt service requirements to maturity for County Bonds, including interest of \$4,085,676 is as follows:

<u>Year Ended 12/31</u>	<u>1999 County Bonds</u>	<u>2001 Refunding Bonds</u>	<u>Total</u>
2004	\$ 363,000	\$ 396,134	\$ 759,134
2005	347,250	399,221	746,471
2006	346,500	397,034	743,534
2007	-	729,846	729,846
2008	-	727,906	727,906
2009-2013	-	3,593,163	3,593,163
2014-2018	-	3,502,622	3,502,622
2019-2023	-	1,638,000	1,638,000
Total	<u>\$ 1,056,750</u>	<u>\$ 11,383,926</u>	<u>\$ 12,440,676</u>

Advance Refunding of Proprietary Fund Debt

On July 24, 2001, Isabella County, on behalf of the Township, issued \$7,605,000 bonds for the purpose of advance refunding the callable portion of the 1999 County Bonds for the Township's Wastewater Treatment Plant Project. The 2001 Refunding Bonds have an average interest rate of 4.589%, are callable on or after October 1, 2010, and are due and payable October 1, 2001 through October 1, 2021. The net proceeds from the issuance of \$7,463,650 were placed in a separate escrow account with Bank One to provide debt service payments until the 1999 County Bonds are called October 1, 2007. The advance refunding met the requirements of an in-substance debt defeasance and the liability for the bonds was removed from the Township's financial statements. At December 31, 2003, \$7,050,000 of bonds outstanding were considered defeased.

Vested Benefits

The long-term portion of vested benefits at December 31, 2003 is calculated at \$25,562.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)

COMPONENT UNITS

A summary of changes in long-term debt reported in the General Long-Term Debt Account Group follows:

	Balance 01/01/03	Additions	Retirements	Balance 12/31/03
East DDA				
General Obligation Bonds	\$ 1,352,765	\$ -	\$ 286,565	\$ 1,066,200
Storm Drain Improvements	69,595	-	34,798	34,797
Total East DDA	<u>\$ 1,422,360</u>	<u>\$ -</u>	<u>\$ 321,363</u>	<u>\$ 1,100,997</u>
West DDA				
General Obligation Bonds	\$ 754,982	\$ -	\$ 130,000	\$ 624,982
Special Assessment Bonds	525,000	-	35,000	490,000
Total West DDA	<u>\$ 1,279,982</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 1,114,982</u>

The balance at December 31, 2003 is made up of the following:

The Township issued various general obligation limited tax bonds for the purpose of paying for part of the cost of water, sewer, and landscaping improvements within the DDA development areas. It is anticipated that the bonds and interest will be repaid by the East DDA and West DDA Tax Increment Revenue.

General obligation limited tax bonds outstanding at December 31, 2003 are as follows:

<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
<u>1989 East DDA Series I</u> 06/01/89	\$ 995,000	6.60%-9.60%	08/01/07	\$ 300,000
<u>1989 East DDA Series II</u> 08/01/89	995,000	6.30%-7.00%	08/01/07	300,000
<u>1990 East DDA Series I</u> 02/01/90	790,000	6.00%-7.20%	08/01/07	255,000
<u>1991 East DDA Series I</u> 05/01/92	260,000	6.20%-8.00%	08/01/07	120,000
<u>1991 West DDA Series II</u> 08/01/92	949,982	6.00%-8.25%	08/01/18	624,982
<u>1991 West DDA Series III</u> 10/01/92	285,000	6.00%-7.00%	08/01/03	-
<u>1995 East DDA Series I</u> 07/11/95	249,553	4.55%-5.35%	08/01/05	91,200
Total General Obligation Limited Tax Bonds				<u>\$ 1,691,182</u>

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)
COMPONENT UNITS (CONTINUED)

The debt service requirements to maturity for general obligation limited tax bonds, including interest of \$2,651,256 are as follows:

Year Ended 12/31	1989 East DDA Series I	1989 East DDA Series II	1990 East DDA Series I	1991 East DDA Series I	1991 West DDA Series II	1995 East DDA Series I	Total
2004	\$ 96,225	\$ 95,888	\$ 78,235	\$ 38,220	\$ 140,000	\$ 75,000	\$ 523,568
2005	90,938	90,712	78,975	36,210	145,000	75,000	516,835
2006	85,650	85,500	74,360	34,170	155,000	-	434,680
2007	80,325	80,250	69,680	32,100	165,000	-	427,355
2008	-	-	-	-	175,000	-	175,000
2009-2013	-	-	-	-	1,005,000	-	1,005,000
2014-2018	-	-	-	-	1,260,000	-	1,260,000
Total	\$ 353,138	\$ 352,350	\$ 301,250	\$ 140,700	\$ 3,045,000	\$ 150,000	\$ 4,342,438

Storm Drain Improvements

Periodically, the County makes improvements to a major county storm drain within the Township. The Township agrees to pay the County the debt associated within the Township. The Township presently is obligated for six county storm drains. The outstanding principal at December 31, 2003, for the East DDA's share is \$34,798.

The annual requirements to maturity for storm drain improvements, including interest of \$2,750 are as follows:

Year Ended 12/31	East DDA
2004	\$ 37,548

Special Assessment Bonds

The Township issued numerous special assessments to provide funds for construction of the Water and Sewer Systems. Debt Service is financed by special assessments levied against users within the special assessment district. The Township is contingently liable for the special assessment bonds should the amounts levied against taxpayers be insufficient to pay these bonds. These bonds are reported in the General Long-Term Debt Account Group.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 5 - LONG TERM DEBT (CONTINUED)
COMPONENT UNITS (CONTINUED)

Special assessment bonds outstanding at December 31, 2003, are as follows:

<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
<u>1991 West DDA Series I</u> 06/01/91	\$ 905,000	6.75%-8.75%	03/01/16	<u>\$ 490,000</u>

The debt service requirements to maturity for special assessment bonds, including interest of \$223,860 are as follows:

<u>Year Ended 12/31</u>	<u>West DDA 1991 Series I</u>
2004	\$ 68,119
2005	70,540
2006	67,780
2007	60,184
2008	62,578
2009-2013	262,944
2014-2018	<u>121,715</u>
Total	<u>\$ 713,860</u>

NOTE 6 - FUND EQUITY

PRIMARY GOVERNMENT

RESERVED FUND BALANCE

General Fund

The General Fund fund balance of \$15,024 has been reserved for prepaid expenditures. This reserve is made to indicate that these assets are not spendable financial resources.

Construction Code Enforcement Fund

The Construction Code Enforcement Fund fund balance of \$886 has been reserved for prepaid expenditures. This reserve is made to indicate that these assets are not spendable financial resources.

RESERVED RETAINED EARNINGS

Sewer Fund

Retained Earnings of the Sewer Fund are reserved for Debt Service according to the bond indentures of the Township in the amount of \$216,559. Of this amount \$195,000 is required to be reserved by the Bond Indentures as Bond Reserves and Retained Earnings is reserved for Restricted Cash and Investments in the Debt Service bank accounts in the amount of \$21,559.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 6 - FUND EQUITY (CONTINUED)
PRIMARY GOVERNMENT (CONTINUED)

Water Fund

Retained Earnings of the Water Fund are reserved in the amount of \$249,405. Of this amount, \$45,761 is reserved for Restricted Cash and Investments in the Debt Service Bank accounts. An additional \$120,000 is required to be reserved by the Bond Indentures of the Township. Retained Earnings is also set aside in a replacement reserve for future water system improvements and construction in the amount of \$83,644.

COMPONENT UNITS

EAST DOWNTOWN DEVELOPMENT AUTHORITY

Operating Fund

Operating Fund fund balance of \$56,000 is reserved for prepaid expenditures. This reserve is made to indicate that these assets are not spendable financial resources.

Debt Service Fund

Debt Service Fund fund balance of \$116,119 is reserved for retirement of general obligation limited tax bonds.

WEST DOWNTOWN DEVELOPMENT AUTHORITY

Operating Fund

Operating Fund fund balance of \$26,000 is reserved for prepaid expenditures. This reserve is made to indicate that these assets are not spendable financial resources.

Debt Service Fund

Debt Service Fund fund balance of \$184,242 is reserved for retirement of general obligation limited tax bonds and special assessment bonds.

NOTE 7 - SEGMENT INFORMATION

The Township maintains two Enterprise Funds which are intended to be self-supporting through user fees charged for services to the public. Financial information as of and for the year ended December 31, 2003, is presented below:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenue	\$ 2,133,724	\$ 914,110	\$ 3,047,834
Depreciation Expense	418,523	180,197	598,720
Operating Income (Loss)	998,133	279,587	1,277,720
Net Increase (Decrease) in Retained Earnings	896,677	289,153	1,185,830
Fixed Asset Additions	279,221	66,902	346,123
Net Working Capital	2,567,137	1,518,999	4,086,136
Total Assets	19,234,974	8,494,671	27,729,645
Bonds Payable from Operating Revenues	10,409,832	1,825,168	12,235,000
Total Equity	8,637,964	6,620,075	15,258,039

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 8 - PENSION PLAN

The Charter Township of Union participates in a defined contribution pension plan administered by Manufacturers Life Insurance Company. The plan is available for all Township Officials and employees. Contributions to the Pension Investment Plan are based on a percentage of compensation. Employees can also make voluntary deductions to the plan. Upon early retirement or termination of service, other than because of death, disability or normal retirement, benefits in the plan vest immediately at 100%.

For the year ended December 31, 2003, the Township made its required Contribution of \$40,125. The value of the plan's assets and vested benefits as of December 31, 2003 is \$310,728. These amounts are not available to the general creditors of the Township, therefore, these assets are not reported in the Township's financial statements.

NOTE 9 - RISK MANAGEMENT

The Charter Township of Union is a member of a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. The purpose of the association is to administer a risk management fund which protects members with loss protection for general and auto liability, motor vehicle physical damage and property. Contributions are applied to the procurement reinsurance, risk management, underwriting, payment of claims, establishments of loss reserves and other related expenses.

A member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

NOTE 10 - CONTINGENCIES

Litigation

The Charter Township of Union is subject to various legal proceedings arising in the course of providing public services to Township residents. The Township is presently a defendant in several cases. However, in the opinion of management and legal counsel, the Township is sufficiently covered by its liability insurance in those matters for which a monetary value is involved.

Grants

The Township receives financial assistance from other governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township.

CHARTER TOWNSHIP OF UNION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 11 - RELATED PARTY TRANSACTIONS

The Township has entered into various transactions with vendors whose owners or managers are directly related to employee's or board members of the Township or its component units. The Township entered into transactions totaling \$126,464 with The Isabella Corporation during the year ended December 31, 2003. The president of the Isabella Corporation is a board member of a component unit of the Township.

The Township also entered into various transactions with the following vendors whose owners or managers are directly related to employee's or board members of the Township or its component units: Drydock Painting and Pressure; Mt. Pleasant Sandblasting; Alwood Nursery; and Pickard Street Car Wash. The total transactions with each of the listed vendors ranged between \$250 and \$2,000.

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SUPPLEMENTAL DATA

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PRIMARY GOVERNMENT
COMBINING, INDIVIDUAL FUND, AND
ACCOUNT GROUP FINANCIAL STATEMENTS

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CHARTER TOWNSHIP OF UNION
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit A1-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash and Investments	\$ 980,758	\$ 706,458
Accounts Receivable	97,300	117,955
Property Tax Receivable (Net of Estimated Uncollectibles)	136,076	130,538
Special Assessment Receivable	-	-
Due from Other Funds	74,345	50,551
Due From Component Unit	95	5,304
Due from Employees	-	3,640
Prepaid Expenditures	<u>15,024</u>	<u>14,010</u>
 TOTAL ASSETS	 <u>\$ 1,303,598</u>	 <u>\$ 1,028,456</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,422	\$ 2,140
Deferred Revenue	-	-
Vested Benefits Payable	5,232	5,174
Due to Other Funds	<u>-</u>	<u>2,118</u>

TOTAL LIABILITIES

8,654 9,432

FUND BALANCE

Reserved for Prepaid Expenditures	15,024	14,010
Unreserved - Undesignated	<u>1,279,920</u>	<u>1,005,014</u>

TOTAL FUND BALANCE

1,294,944 1,019,024

TOTAL LIABILITIES AND FUND BALANCE

\$ 1,303,598 \$ 1,028,456

CHARTER TOWNSHIP OF UNION
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003		2002	
	Budget	Actual	(Over) Under Budget	Actual
REVENUE				
Taxes				
Current Property Taxes	\$ 135,000	\$ 168,173	\$ (33,173)	\$ 163,294
Property Tax Administration Fee	76,000	89,825	(13,825)	91,107
Delinquent Taxes	500	89	411	822
Trailer Park Taxes	4,500	3,350	1,150	3,567
Total Taxes	216,000	261,437	(45,437)	258,790
Special Assessments	6,500	6,929	(429)	7,318
Penalties and Interest on Delinquent Taxes	7,025	6,882	143	4,291
Business Licenses	100	-	100	100
Intergovernmental Revenue				
State Shared Revenue	605,574	565,221	40,353	728,499
Interest and Dividend Earnings	8,500	8,108	392	12,672
Rents and Royalties				
Hall & Pavillion Rentals	3,200	2,840	360	3,205
Lease Billboard	2,250	2,250	-	3,205
Cable Fees	40,000	42,312	(2,312)	44,091
Total Rents and Royalties	45,450	47,402	(1,952)	47,296
Contributions and Donations - Private Sources	-	-	-	-
Other				
Other	8,690	6,096	2,594	5,249
Summer Tax Reimb from State	7,982	7,983	(1)	5,249
Refunds and Rebates	200	200	-	919
Total Other	16,872	14,279	2,593	6,168
TOTAL REVENUE	906,021	910,258	(4,237)	1,065,134
EXPENDITURES				
Legislative				
Township Board	59,000	48,213	10,787	74,728
General Government				
Supervisor	17,800	16,676	1,124	16,853
Township Superintendent	36,490	34,834	1,656	30,860

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003		2002	
	Budget	Actual	(Over) Under Budget	Actual
EXPENDITURES (Continued)				
General Government (Continued)				
Elections	\$ 3,050	\$ 2,190	\$ 860	\$ 8,496
Independent Accounting and Auditing	10,000	8,325	1,675	6,385
Assessor	82,510	73,868	8,642	73,209
Attorney	15,000	9,762	5,238	1,210
Clerk	21,575	19,507	2,068	19,837
Board of Review	2,135	1,668	467	1,516
Treasurer	25,320	22,699	2,621	20,729
Building and Grounds	55,655	36,103	19,552	178,506
General Administrative	61,650	40,810	20,840	53,904
Total General Government	331,185	266,442	64,743	411,505
Public Safety				
Liquor Inspector	5,450	5,200	250	5,425
Public Works				
Drains at Large	1,000	314	686	66,654
Highways and Streets	322,713	78,984	243,729	67,959
Street Lighting	25,000	21,403	3,597	20,953
Total Public Works	348,713	100,701	248,012	155,566
Recreation				
Parks and Recreation	78,200	51,471	26,729	195,212
Insurance and Fringe Benefits				
Employee Benefits	110,700	91,998	18,702	91,968
Insurance	26,700	9,816	16,884	11,799
Total Insurance and Fringe Benefits	137,400	101,814	35,586	103,767
Other				
Special Assessments	2,000	3	1,997	-
Refunds and Rebates	1,000	-	1,000	-
Total Other	3,000	3	2,997	-
TOTAL EXPENDITURES	962,948	573,844	389,104	946,203
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(56,927)	336,414	(393,341)	118,931

CHARTER TOWNSHIP OF UNION
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	<u>2003</u>		<u>2002</u>	
	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>	<u>Actual</u>
OTHER FINANCING (USES)				
Operating Transfer Out to Construction Code Enforcement Fund	\$ (60,494)	\$ (60,494)	\$ -	\$ (55,000)
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(117,421)	275,920	(393,341)	63,931
FUND BALANCE - JANUARY 1	<u>1,019,024</u>	<u>1,019,024</u>	<u>-</u>	<u>955,093</u>
FUND BALANCE - DECEMBER 31	<u>\$ 901,603</u>	<u>\$ 1,294,944</u>	<u>\$ (393,341)</u>	<u>\$ 1,019,024</u>

CHARTER TOWNSHIP OF UNION
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2003

Exhibit B1-1

ASSETS

	Fire Fund	Construction Code Enforcement Fund	Total
Cash	\$ 350,125	\$ 69,380	\$ 419,505
Investments	58	-	58
Property Tax Receivable (Net of Estimated Uncollectibles)	186,049	-	186,049
Interest Receivable	15	-	15
Due From Other Funds	-	-	-
Due From Component Unit	-	100	100
Prepaid Expenditures	-	886	886
	<u>-</u>	<u>886</u>	<u>886</u>
 TOTAL ASSETS	 \$ 536,247	 \$ 70,366	 \$ 606,613

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ -	\$ 1,897	\$ 1,897
Vested Benefits Payable	-	577	577
Deferred Revenue	80,000	-	80,000
	<u>80,000</u>	<u>-</u>	<u>80,000</u>
 TOTAL LIABILITIES	 80,000	 2,474	 82,474

FUND BALANCE

Reserved for Prepaid Expenditures	-	886	886
Unreserved - Undesignated	456,247	67,006	523,253
Designated for Fire Truck Replacement	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL FUND BALANCE	 456,247	 67,892	 524,139
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 536,247	 \$ 70,366	 \$ 606,613

CHARTER TOWNSHIP OF UNION
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2003

Exhibit B1-2

	Fire Fund	Construction Code Enforcement Fund	Total
<u>REVENUE</u>			
Taxes	\$ 366,480	\$ -	\$ 366,480
Penalties	8	-	8
Interest and Dividends	1,689	-	1,689
Permits	-	89,949	89,949
Other Revenue	25	-	25
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	368,202	89,949	458,151
 <u>EXPENDITURES</u>			
Public Safety	362,036	54,148	416,184
Planning	-	15,349	15,349
Debt Services	27,077	-	27,077
Insurance and Employee Benefits	-	13,939	13,939
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	389,113	83,436	472,549
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	(20,911)	6,513	(14,398)
 <u>OTHER FINANCING SOURCES</u>			
Transfers In From Component Unit	130,038	-	130,038
Transfers In From Other Funds	-	60,494	60,494
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	130,038	60,494	190,532
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	109,127	67,007	176,134
 FUND BALANCE - JANUARY 1	347,120	885	348,005
	<hr/>	<hr/>	<hr/>
FUND BALANCE - DECEMBER 31	\$ 456,247	\$ 67,892	\$ 524,139

CHARTER TOWNSHIP OF UNION
FIRE FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit B2-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash in Checking	\$ 350,125	\$ 161,236
Investments	58	58
Property Tax Receivable (Net of Estimated Uncollectibles)	186,049	178,028
Interest Receivable	15	30
Due From Other Funds	<u>-</u>	<u>7,768</u>
 TOTAL ASSETS	 <u>\$ 536,247</u>	 <u>\$ 347,120</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred Revenue	\$ 80,000	\$ -
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FUND BALANCE

Designated for Fire Truck Replacement	-	249,903
Unreserved - Undesignated	<u>456,247</u>	<u>97,217</u>

TOAL FUND BALANCE	<u>456,247</u>	<u>347,120</u>
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TOTAL LIABILITES AND FUND BALANCE	<u>\$ 536,247</u>	<u>\$ 347,120</u>
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CHARTER TOWNSHIP OF UNION
FIRE FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit B2-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	<u>2003</u>		<u>2002</u>	
			(Over) Under	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>REVENUE</u>				
Taxes				
Current Property Taxes	\$ 315,000	\$ 366,480	\$ (51,480)	\$ 362,459
Delinquent Taxes	500	-	500	8,816
Total Taxes	315,500	366,480	(50,980)	371,275
Penalties and Interest on Delinquent Taxes	25	8	17	17
Interest and Dividend Earnings	1,700	1,689	11	1,133
Other Revenue	20	25	(5)	822
TOTAL REVENUE	317,245	368,202	(50,957)	373,247
<u>EXPENDITURES</u>				
Public Safety				
Contractual Services	361,980	361,980	-	343,110
Refunds and Rebates	100	56	44	27
Contingency	1,000	-	1,000	-
Miscellaneous	-	-	-	-
Total Public Safety	363,080	362,036	1,044	343,137
Debt Services				
Interest Expenditure	7,739	7,738	1	8,793
Fire Truck - Capital Lease Expenditure	19,339	19,339	-	18,284
Total Debt Services	27,078	27,077	1	27,077
TOTAL EXPENDITURES	390,158	389,113	1,045	370,214
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(72,913)	(20,911)	(52,002)	3,033
<u>OTHER FINANCING SOURCES</u>				
Operating Transfer In From Component Unit				
West DDA Operating Fund	25,000	25,000	-	25,000
East DDA Operating Fund	105,038	105,038	-	96,500
TOTAL OTHER FINANCING SOURCES	130,038	130,038	-	121,500
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 57,125	\$ 109,127	\$ (52,002)	\$ 124,533
FUND BALANCE - JANUARY 1	347,120	347,120	-	222,587
FUND BALANCE - DECEMBER 31	\$ 404,245	\$ 456,247	\$ (52,002)	\$ 347,120

CHARTER TOWNSHIP OF UNION
CONSTRUCTION CODE ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2002 AND 2001

Exhibit B3-1

<u>ASSETS</u>		<u>2003</u>	<u>2002</u>
Cash in Checking	\$	69,380	\$ 3,595
Due From Component Unit		100	3
Prepaid Expenditures		<u>886</u>	<u>977</u>
 TOTAL ASSETS	\$	<u>70,366</u>	\$ <u>4,575</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$	1,897	\$ 247
Vested Benefits Payable		<u>577</u>	<u>3,443</u>
 TOTAL LIABILITIES		2,474	3,690
 <u>FUND BALANCE</u>			
Reserved for Prepaid Expenditures		886	885
Unreserved - Undesignated		<u>67,006</u>	<u>-</u>
 TOTAL FUND BALANCE		<u>67,892</u>	<u>885</u>
 TOTAL LIABILITIES AND FUND BALANCE	\$	<u>70,366</u>	\$ <u>4,575</u>

CHARTER TOWNSHIP OF UNION
CONSTRUCTION CODE ENFORCEMENT FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit B3-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003		2002	
	Budget	Actual	(Over) Under Budget	Actual
<u>REVENUE</u>				
Building Permits	\$ 54,000	\$ 63,092	\$ (9,092)	\$ 32,308
Zoning Permits	23,500	26,857	(3,357)	16,267
 TOTAL REVENUE	 77,500	 89,949	 (12,449)	 48,575
<u>EXPENDITURES</u>				
Public Safety				
Building Inspector	38,855	22,074	16,781	37,208
Zoning Inspector	36,115	32,074	4,041	33,956
 Total Public Safety	 74,970	 54,148	 20,822	 71,164
Planning				
Planning Commission	16,535	12,289	4,246	10,481
Zoning Board of Appeals	10,345	3,060	7,285	6,926
 Total Planning	 26,880	 15,349	 11,531	 17,407
Insurance and Employee Benefits				
Employee Benefits	17,700	12,282	5,418	15,789
Insurance	1,740	1,657	83	1,310
 Total Insurance and Employee Benefits	 19,440	 13,939	 5,501	 17,099
 TOTAL EXPENDITURES	 121,290	 83,436	 37,854	 105,670
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 (43,790)	 6,513	 (50,303)	 (57,095)
<u>OTHER FINANCING SOURCES</u>				
Operating Transfer in From General Fund	60,494	60,494	-	55,000
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	 16,704	 67,007	 (50,303)	 (2,095)
 FUND BALANCE - JANUARY 1	 885	 885	 -	 2,980
 FUND BALANCE - DECEMBER 31	 \$ 17,589	 \$ 67,892	 \$ (50,303)	 \$ 885

CHARTER TOWNSHIP OF UNION
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2003

Exhibit C1-1

(With Comparative Totals for December 31, 2002)

	2003			2002
	Sewer Fund	Water Fund	Total	Total
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 8,707	\$ 106,319	\$ 115,026	\$ 112,605
Investments	2,559,528	1,227,214	3,786,742	2,978,851
Accounts Receivable				
Special Assessments	31,586	124,903	156,489	156,343
Utility Bills	303,831	194,979	498,810	468,778
Prepaid Expenses	44,343	17,861	62,204	49,059
Inventory	-	14,180	14,180	15,328
Due From County	223,306	-	223,306	221,097
Due From Sewer Fund	-	-	-	7,140
Interest Receivable	31,578	23,845	55,423	49,211
 Total Current Assets	 3,202,879	 1,709,301	 4,912,180	 4,058,412
 <u>Restricted Assets</u>				
Cash and Cash Equivalents	21,559	-	21,559	35,928
Investments	-	45,761	45,761	79,058
 Total Restricted Assets	 21,559	 45,761	 67,320	 114,986
 <u>Non-Current Assets</u>				
Special Assessments Receivable	494,850	767,263	1,262,113	1,298,358
Discount on Bonds	77,427	(2,848)	74,579	84,254
Bond Issue Costs	78,163	13,025	91,188	100,062
Deferred Loss	492,208	-	492,208	519,808
 Total Non-Current Assets	 1,142,648	 777,440	 1,920,088	 2,002,482
 <u>Property, Plant, and Equipment</u>				
Sewer System	10,125,473	-	10,125,473	9,928,707
Water System	-	7,547,010	7,547,010	7,545,410
Waste Water Treatment Plant	8,429,828	-	8,429,828	8,429,827
Land and Improvements	95,196	33,880	129,076	242,776
Buildings and Improvements	-	-	-	39,024
Equipment	518,224	229,458	747,682	463,968
Vehicles	124,927	95,858	220,785	176,235
Construction in Progress	151,937	-	151,937	179,721
Less: Accumulated Depreciation	(4,577,697)	(1,944,037)	(6,521,734)	(5,923,016)
 Net Property, Plant, and Equipment	 14,867,888	 5,962,169	 20,830,057	 21,082,652
 TOTAL ASSETS	 \$ 19,234,974	 \$ 8,494,671	 \$ 27,729,645	 \$ 27,258,532

CHARTER TOWNSHIP OF UNION
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2003

Exhibit C1-1

(With Comparative Totals for December 31, 2002)

	<u>2003</u>			<u>2002</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Total</u>
<u>LIABILITIES AND EQUITY</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 7,981	\$ 5,020	\$ 13,001	\$ 86,264
Vested Benefits Payable - Current Portion	8,099	5,339	13,438	11,735
Accrued Interest Payable	143,314	29,343	172,657	182,179
Retainage Payable	11,948	-	11,948	38,083
Due to Water Fund	-	-	-	7,140
Bonds Payable - Current Portion	<u>464,400</u>	<u>150,600</u>	<u>615,000</u>	<u>605,000</u>
 TOTAL CURRENT LIABILITIES	 635,742	 190,302	 826,044	 930,401
 <u>Long-Term Liabilities</u>				
Vested Benefits Payable - Net of Current Portion	15,836	9,726	25,562	20,921
Bonds Payable - Net of Current Portion	<u>9,945,432</u>	<u>1,674,568</u>	<u>11,620,000</u>	<u>12,235,001</u>
 TOTAL LONG-TERM LIABILITIES	 <u>9,961,268</u>	 <u>1,684,294</u>	 <u>11,645,562</u>	 <u>12,255,922</u>
 TOTAL LIABILITIES	 10,597,010	 1,874,596	 12,471,606	 13,186,323
 <u>EQUITY</u>				
Retained Earnings				
Reserved	216,559	249,405	465,964	515,537
Unreserved	<u>8,421,405</u>	<u>6,370,670</u>	<u>14,792,075</u>	<u>13,556,672</u>
 TOTAL EQUITY	 <u>8,637,964</u>	 <u>6,620,075</u>	 <u>15,258,039</u>	 <u>14,072,209</u>
 TOTAL EQUITY AND LIABILITIES	 <u>\$ 19,234,974</u>	 <u>\$ 8,494,671</u>	 <u>\$ 27,729,645</u>	 <u>\$ 27,258,532</u>

CHARTER TOWNSHIP OF UNION
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2003

Exhibit C1-2

(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002
	Sewer Fund	Water Fund	Total	Total
<u>OPERATING REVENUE</u>				
Charges for Services and Sales				
Charges for Services	\$ 1,160,905	\$ 823,624	\$ 1,984,529	\$ 2,014,490
Hook-Up Fees	751,907	72,000	823,907	277,160
Late Charges	22,158	14,009	36,167	28,087
Other Sales	150	-	150	240
Inspections	1,563	1,113	2,676	3,373
Special Assessments	196,766	-	196,766	596,799
Miscellaneous	275	3,364	3,639	3,012
TOTAL OPERATING REVENUE	2,133,724	914,110	3,047,834	2,923,161
<u>OPERATING EXPENSES</u>				
Salaries and Wages	199,582	146,800	346,382	336,723
Cost of Goods Sold	200	34,221	34,421	-
Fringes	79,022	45,892	124,914	115,666
Hook Up Labor and Materials	-	25,019	25,019	28,879
Legal Fees	187	682	869	3,750
Supplies	49,152	9,097	58,249	49,287
Uniforms	4,591	1,856	6,447	7,496
Utilities	87,236	54,584	141,820	143,321
Communications	8,243	6,601	14,844	17,318
Safety	487	700	1,187	4,649
Education and Training	2,912	1,591	4,503	3,423
Publishing	140	1,406	1,546	2,852
Insurance	41,066	16,567	57,633	44,296
Operations and Maintenance - City	86,373	24,994	111,367	56,974
Repairs and Maintenance	44,261	56,040	100,301	142,469
Equipment	10,075	4,830	14,905	29,025
Lease/Rent		1,392	1,392	188
Gas/Fuel	7,226	5,859	13,085	11,614
Miscellaneous	1,660	1,940	3,600	864
Contractual Services	89,208	8,347	97,555	81,202
Travel	184	637	821	888
Membership and Dues	164	2,324	2,488	2,368
Lab Fees	2,089	-	2,089	-
Mapping	-	-	-	2,765
Postage	3,010	2,947	5,957	3,973
Depreciation	418,523	180,197	598,720	589,449
TOTAL OPERATING EXPENSES	1,135,591	634,523	1,770,114	1,679,439
OPERATING INCOME (LOSS)	998,133	279,587	1,277,720	1,243,722

CHARTER TOWNSHIP OF UNION
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2003

Exhibit C1-2

(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002
	Sewer Fund	Water Fund	Total	Total
<u>NON-OPERATING REVENUE (EXPENSE)</u>				
Benefit Fees	\$ -	\$ 66,108	\$ 66,108	\$ 22,100
Interest Income	56,274	73,049	129,323	134,451
Interest and Fees Expense	(531,877)	(120,093)	(651,970)	(684,261)
Bond Issue Costs	(35,403)	(1,071)	(36,474)	(36,474)
Royalties	-	(8,427)	(8,427)	(10,129)
Gain on Sale of Assets	-	-	-	8,753
Contribution from Saginaw Chippewa Indian Tribe	410,250	-	410,250	
Refunds and Rebates	(700)	-	(700)	(127)
 TOTAL NON-OPERATING REVENUE (EXPENSE)	 (101,456)	 9,566	 (91,890)	 (565,687)
 NET INCOME (LOSS)	 896,677	 289,153	 1,185,830	 678,035
 RETAINED EARNINGS - JANUARY 1	 7,741,287	 6,330,922	 14,072,209	 13,394,174
 RETAINED EARNINGS - DECEMBER 31	 <u>\$ 8,637,964</u>	 <u>\$ 6,620,075</u>	 <u>\$ 15,258,039</u>	 <u>\$ 14,072,209</u>

CHARTER TOWNSHIP OF UNION
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

Exhibit C1-3

(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002
	Sewer Fund	Water Fund	Total	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 998,133	\$ 279,587	\$ 1,277,720	\$ 1,243,722
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	418,523	180,197	598,720	589,449
Special Assessment Revenue	(196,766)	-	(196,766)	(596,799)
Changes in Assets and Liabilities:				
Accounts Receivable	(13,291)	(16,741)	(30,032)	30,193
Prepaid Expenses	(10,009)	(3,136)	(13,145)	(14,188)
Inventory	-	1,148	1,148	1,378
Other Receivables	-	-	-	2,542
Due From County	(2,209)	-	(2,209)	852
Due From Sewer Fund	-	7,140	7,140	(7,033)
Accounts Payable	(14,924)	(58,339)	(73,263)	63,305
Retainage Payable	6,824	(32,959)	(26,135)	38,083
Vested Benefits Payable	3,901	2,443	6,344	6,933
Due to Water Fund	(7,140)	-	(7,140)	7,033
Total Changes in Assets and Liabilities	(36,848)	(100,444)	(137,292)	129,098
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,183,042	359,340	1,542,382	1,365,470
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Refunds and Rebates	(700)	-	(700)	(127)
Contribution From Saginaw Chippewa Indian Tribe	410,250	-	410,250	-
NET CASH PROVIDED (USED) BY NON- CAPITAL FINANCING ACTIVITIES	409,550	-	409,550	(127)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Special Assessments Received	135,553	97,312	232,865	208,272
Purchases of Fixed Assets	(279,221)	(66,902)	(346,123)	(1,590,039)
Principal Paid on Bonds	(458,801)	(146,200)	(605,001)	(587,197)
Interest Paid on Bonds	(528,780)	(123,039)	(651,819)	(683,623)
Benefit Fees	-	66,108	66,108	22,100
Proceeds from Sale of Assets	-	-	-	32,553
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,131,249)	(172,721)	(1,303,970)	(2,597,934)

CHARTER TOWNSHIP OF UNION
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

Exhibit C1-3

(With Comparative Totals for the Year Ended December 31, 2002)

	2003			2002
	Sewer Fund	Water Fund	Total	Total
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	\$ 33,025	\$ 90,086	\$ 123,111	\$ 129,684
Royalties Paid	-	(8,427)	(8,427)	(10,129)
Investments (Purchased)/Sold	<u>(523,366)</u>	<u>(251,228)</u>	<u>(774,594)</u>	<u>1,164,863</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(490,341)</u>	<u>(169,569)</u>	<u>(659,910)</u>	<u>1,284,418</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,998)	17,050	(11,948)	51,827
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>59,264</u>	<u>89,269</u>	<u>148,533</u>	<u>96,706</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 30,266</u>	<u>\$ 106,319</u>	<u>\$ 136,585</u>	<u>\$ 148,533</u>

CHARTER TOWNSHIP OF UNION
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2003

Exhibit D1-1

(With Comparative Totals for December 31, 2002)

	<u>2003</u>			<u>2002</u>
	Current Tax Collection			
	Fund	Payroll Fund	Total	Total
<u>ASSETS</u>				
Cash in Checking	\$ 1,509	\$ 73,166	\$ 74,675	\$ 51,246
Due from Other Funds	-	-	-	2,118
Due from Other Governments	-	-	-	5,650
 TOTAL ASSETS	 <u>\$ 1,509</u>	 <u>\$ 73,166</u>	 <u>\$ 74,675</u>	 <u>\$ 59,014</u>
 <u>LIABILITIES</u>				
Due to Other Funds	\$ 1,205	\$ 73,140	\$ 74,345	\$ 58,319
Due to Employees	-	-	-	104
Undistributed Receipts	304	26	330	591
 TOTAL LIABILITIES	 <u>\$ 1,509</u>	 <u>\$ 73,166</u>	 <u>\$ 74,675</u>	 <u>\$ 59,014</u>

CHARTER TOWNSHIP OF UNION
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2003

Exhibit D1-2

	Balance 01/01/03	Additions	Deductions	Balance 12/31/03
<u>Current Tax Collection Fund</u>				
<u>ASSETS</u>				
Cash in Checking	\$ 1,802	\$ 9,365,706	\$ 9,365,999	\$ 1,509
Due from Other Funds	2,118	-	2,118	-
Due from Taxing Units	5,650	-	5,650	-
TOTAL ASSETS	\$ 9,570	\$ 9,365,706	\$ 9,373,767	\$ 1,509
<u>LIABILITIES</u>				
Due to Other Funds	\$ 9,010	\$ 120	\$ 7,925	\$ 1,205
Undistributed Receipts	560	9,365,586	9,365,842	304
TOTAL LIABILITIES	\$ 9,570	\$ 9,365,706	\$ 9,373,767	\$ 1,509
<u>Payroll Fund</u>				
<u>ASSETS</u>				
Cash in Checking	\$ 49,444	\$ 708,504	\$ 684,782	\$ 73,166
<u>LIABILITIES</u>				
Due to Other Funds	\$ 49,309	\$ 271,888	\$ 248,057	\$ 73,140
Due to Employees	104	-	104	-
Undistributed Receipts	31	436,616	436,621	26
TOTAL LIABILITIES	\$ 49,444	\$ 708,504	\$ 684,782	\$ 73,166
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash in Checking	\$ 51,246	\$ 10,074,210	\$ 10,050,781	\$ 74,675
Due from Other Funds	2,118	-	2,118	-
Due from Taxing Units	5,650	-	5,650	-
TOTAL ASSETS	\$ 59,014	\$ 10,074,210	\$ 10,058,549	\$ 74,675
<u>LIABILITIES</u>				
Due to Other Funds	\$ 58,319	\$ 272,008	\$ 255,982	\$ 74,345
Due to Employees	104	-	104	-
Undistributed Receipts	591	9,802,202	9,802,463	330
TOTAL LIABILITIES	\$ 59,014	\$ 10,074,210	\$ 10,058,549	\$ 74,675

CHARTER TOWNSHIP OF UNION
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED DECEMBER 31, 2003

Exhibit E1-1

	Balance 01/01/03	Additions	Retirements	Balance 12/31/03
Land and Land Improvements	\$ 431,573	\$ 78,088	\$ -	\$ 509,661
Buildings and Building Improvements	734,986	-	-	734,986
Equipment and Vehicles	509,180	10,559	-	519,739
TOTAL GENERAL FIXED ASSETS	\$ 1,675,739	\$ 88,647	\$ -	\$ 1,764,386

GENERAL LONG-TERM DEBT ACCOUNT GROUP
COMPARATIVE STATEMENT OF GENERAL LONG-TERM DEBT
DECEMBER 31, 2003 AND 2002

Exhibit F1-1

	2003	2002
<u>GENERAL LONG-TERM DEBT</u>		
Fire Truck Capital Lease	\$ 114,776	\$ 134,115
Vested Benefits	9,946	6,400
TOTAL GENERAL LONG-TERM DEBT	\$ 124,722	\$ 140,515
 <u>AMOUNT AVAILABLE AND TO BE PROVIDED</u>		
Amount to be Provided	\$ 124,722	\$ 140,515

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COMPONENT UNIT
COMBINING, INDIVIDUAL FUND, AND
ACCOUNT GROUP FINANCIAL STATEMENTS

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COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

Exhibit G1-1

	Operating	Debt Service	General Long-Term Debt Account Group	Totals
<u>ASSETS</u>				
Cash and Investments	\$ 91,263	\$ 116,119	\$ -	\$ 207,382
Prepaid Expenditures	56,000	-	-	56,000
Accounts Receivable Taxes	1,996	-	-	1,996
Amounts Available in Debt Service	-	-	116,119	116,119
Amounts to be Provided for Debt Retirement	-	-	984,878	984,878
 TOTAL ASSETS	 \$ 149,259	 \$ 116,119	 \$ 1,100,997	 \$ 1,366,375
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	723	\$ -	\$ -	\$ 723
Due to Primary Government	165	-	-	165
Deferred Revenue	37,881	-	-	37,881
Bonds Payable	-	-	1,100,997	1,100,997
 TOTAL LIABILITIES	 38,769	 -	 1,100,997	 1,139,766
<u>FUND BALANCE</u>				
Unreserved	54,490	-	-	54,490
Reserved	56,000	116,119	-	172,119
 TOTAL FUND BALANCE	 110,490	 116,119	 -	 226,609
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 149,259	 \$ 116,119	 \$ 1,100,997	 \$ 1,366,375

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2003

Exhibit G1-2

	Operating	Debt Service	Totals
<u>REVENUE</u>			
Taxes	\$ 737,537	\$ -	\$ 737,537
Interest and Rents	<u>2,204</u>	<u>2,494</u>	<u>4,698</u>
 TOTAL REVENUE	 739,741	 2,494	 742,235
<u>EXPENDITURES</u>			
Current Operations	96,903	-	96,903
Debt Service			
Principal	34,797	286,565	321,362
Interest and Paying Agent Fees	<u>5,498</u>	<u>110,805</u>	<u>116,303</u>
 TOTAL EXPENDITURES	 <u>137,198</u>	 <u>397,370</u>	 <u>534,568</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 602,543	 (394,876)	 207,667
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In			
From Other Funds	-	386,852	386,852
Transfers Out			
To Other Funds	(386,852)	-	(386,852)
To Primary Government	<u>(105,038)</u>	<u>-</u>	<u>(105,038)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(491,890)</u>	 <u>386,852</u>	 <u>(105,038)</u>
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING	 110,653	 (8,024)	 102,629
 FUND BALANCE (DEFICIT) - JANUARY 1	 <u>(163)</u>	 <u>124,143</u>	 <u>123,980</u>
 FUND BALANCE (DEFICIT) - DECEMBER 31	 <u>\$ 110,490</u>	 <u>\$ 116,119</u>	 <u>\$ 226,609</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
OPERATING FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit G2-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash in Checking	\$ 91,263	\$ 4,164
Accounts Receivable Taxes	1,996	\$ -
Prepaid Expenditures	<u>56,000</u>	<u>1,000</u>
 TOTAL ASSETS	 <u>\$ 149,259</u>	 <u>\$ 5,164</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 723	\$ 74
Due to Primary Government	165	5,253
Deferred Revenue	<u>37,881</u>	<u>-</u>

TOTAL LIABILITIES	38,769	5,327
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FUND BALANCE (DEFICIT)

Reserved for Prepaid Expenditures	56,000	1,000
Unreserved	<u>54,490</u>	<u>(1,163)</u>

TOTAL FUND BALANCE (DEFICIT)	110,490	(163)
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 149,259</u>	<u>\$ 5,164</u>
------------------------------------	-------------------	-----------------

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
OPERATING FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit G2-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	<u>2003</u>		<u>2002</u>	
	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>	<u>Actual</u>
<u>REVENUE</u>				
Current Property Taxes	\$ 735,758	\$ 737,537	\$ (1,779)	\$ 684,908
Interest Revenue	<u>1,500</u>	<u>2,204</u>	<u>(704)</u>	<u>2,570</u>
 TOTAL REVENUE	 737,258	 739,741	 (2,483)	 687,478
 <u>EXPENDITURES</u>				
<u>General Operations</u>				
Administrative				
Director's Office	25,250	21,269	3,981	32,736
Board of Directors	2,500	2,500	-	2,500
District Projects	<u>150,000</u>	<u>73,134</u>	<u>76,866</u>	<u>52,175</u>
 Total General Operations	 177,750	 96,903	 80,847	 87,411
 <u>Debt Service</u>				
Principal Payment	34,797	34,797	-	34,797
Interest	<u>5,499</u>	<u>5,498</u>	<u>1</u>	<u>8,247</u>
 Total Debt Service	 40,296	 40,295	 1	 43,044
 TOTAL EXPENDITURES	 218,046	 137,198	 80,848	 130,455
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 519,212	 602,543	 (83,331)	 557,023
 <u>OTHER FINANCING (USES)</u>				
Transfer to East DDA Debt Service Fund	(386,852)	(386,852)	-	(388,370)
Transfer to Primary Government	<u>(105,038)</u>	<u>(105,038)</u>	<u>-</u>	<u>(96,500)</u>
 TOTAL OTHER FINANCING (USES)	 (491,890)	 (491,890)	 -	 (484,870)
 EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 27,322	 110,653	 (83,331)	 72,153
 FUND BALANCE (DEFICIT) - JANUARY 1	 (163)	 (163)	 -	 (72,316)
 FUND BALANCE (DEFICIT) - DECEMBER 31	 <u>\$ 27,159</u>	 <u>\$ 110,490</u>	 <u>\$ (83,331)</u>	 <u>\$ (163)</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit G3-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash in Checking	\$ 115,218	\$ 1,756
Investments	<u>901</u>	<u>122,387</u>
 TOTAL ASSETS	 <u>\$ 116,119</u>	 <u>\$ 124,143</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ -	\$ -
 <u>FUND BALANCE</u>		
Reserved for Debt Services	<u>116,119</u>	<u>124,143</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 116,119</u>	 <u>\$ 124,143</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
DEBT SERVICE FUND
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002

Exhibit G3-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
Interest and Dividend Earnings	\$ 2,494	\$ 3,243
<u>EXPENDITURES</u>		
Debt Service		
Interest	108,570	117,705
Principal Payment	286,565	278,893
Paying Agent Fees	<u>2,235</u>	<u>2,249</u>
	-	
TOTAL EXPENDITURES	<u>397,370</u>	<u>398,847</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(394,876)	(395,604)
<u>OTHER FINANCING SOURCES</u>		
Transfer In From Other Funds		
EDDA Operating Fund	<u>386,852</u>	<u>388,370</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(8,024)	(7,234)
FUND BALANCE - JANUARY 1	<u>124,143</u>	<u>131,377</u>
FUND BALANCE - DECEMBER 31	<u>\$ 116,119</u>	<u>\$ 124,143</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
EAST DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF GENERAL LONG-TERM DEBT
DECEMBER 31, 2003

Exhibit G4-1

2003

AMOUNT AVAILABLE AND TO BE PROVIDED

Amount Available in Debt Service Fund

\$ 116,119

Amount to be Provided

984,878

TOTAL AMOUNT AVAILABLE AND TO BE PROVIDED

\$ 1,100,997

GENERAL LONG-TERM DEBT

General Obligation Limited Tax Bonds

1989 East DDA Series I

\$ 300,000

1989 East DDA Series II

300,000

1990 East DDA Series I

255,000

1991 East DDA Series I

120,000

1995 East DDA Series I

91,199

Total General Obligation Limited Tax Bonds

1,066,199

Storm Drain Improvements

Hance Drain #357

34,798

TOTAL GENERAL LONG-TERM DEBT

\$ 1,100,997

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
WEST DOWNTOWN DEVELOPMENT AUTHORITY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

Exhibit H1-1

	Operating	Debt Service	General Long-Term Debt Account Group	Totals
<u>ASSETS</u>				
Cash and Investments	\$ 289,340	\$ 151,276	\$ -	\$ 440,616
Interest Receivable	-	16,905	-	16,905
Del. Taxes Receivable	2,065	-	-	2,065
Prepaid Expenditures	26,000	-	-	26,000
Special Assessment Receivable	-	411,470	-	411,470
Amounts Available in Debt Service	-	-	184,242	184,242
Amounts to be Provided for Debt Retirement	-	-	930,740	930,740
TOTAL ASSETS	\$ 317,405	\$ 579,651	\$ 1,114,982	\$ 2,012,038
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Primary Government	\$ 30	\$ -	\$ -	\$ 30
Deferred Revenue	22,821	395,409	-	418,230
Bonds Payable	-	-	1,114,982	1,114,982
TOTAL LIABILITIES	22,851	395,409	1,114,982	1,533,242
<u>FUND BALANCE</u>				
Unreserved	268,554	-	-	268,554
Reserved	26,000	184,242	-	210,242
TOTAL FUND BALANCE	294,554	184,242	-	478,796
TOTAL LIABILITIES AND FUND BALANCE	\$ 317,405	\$ 579,651	\$ 1,114,982	\$ 2,012,038

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
WEST DOWNTOWN DEVELOPMENT AUTHORITY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2003

Exhibit H1-2

	<u>Operating</u>	<u>Debt Service</u>	<u>Totals</u>
<u>REVENUE</u>			
Taxes	\$ 247,953	\$ 32,966	\$ 280,919
Interest and Rents	<u>2,334</u>	<u>36,234</u>	<u>38,568</u>
 TOTAL REVENUE	 250,287	 69,200	 319,487
<u>EXPENDITURES</u>			
Current Operations	7,494	-	7,494
Debt Service			
Principal	-	165,000	165,000
Interest and Paying Agent Fees	<u>-</u>	<u>46,936</u>	<u>46,936</u>
 TOTAL EXPENDITURES	 <u>7,494</u>	 <u>211,936</u>	 <u>219,430</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 242,793	 (142,736)	 100,057
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In			
From Other Funds	-	134,420	134,420
Transfers Out			
To Other Funds	(134,420)	-	(134,420)
To Primary Government	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(159,420)</u>	 <u>134,420</u>	 <u>(25,000)</u>
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING	 83,373	 (8,316)	 75,057
 FUND BALANCE - JANUARY 1	 <u>211,181</u>	 <u>192,558</u>	 <u>403,739</u>
 FUND BALANCE - DECEMBER 31	 <u>\$ 294,554</u>	 <u>\$ 184,242</u>	 <u>\$ 478,796</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
WEST DOWNTOWN DEVELOPMENT AUTHORITY
OPERATING FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit H2-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 289,340	\$ 210,735
Del. Taxes Receivable	2,065	-
Prepaid Expenditures	<u>26,000</u>	<u>500</u>
 TOTAL ASSETS	 <u>\$ 317,405</u>	 <u>\$ 211,235</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Primary Government	\$ 30	\$ 54
Deferred Revenue	<u>22,821</u>	<u>-</u>
TOTAL LIABILITIES	22,851	

FUND BALANCE

Reserved for Prepaid Expenditures	26,000	500
Unreserved	<u>268,554</u>	<u>210,681</u>

TOTAL FUND BALANCE	<u>294,554</u>	<u>211,181</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 317,405</u>	<u>\$ 211,235</u>
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COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
WEST DOWNTOWN DEVELOPMENT AUTHORITY
OPERATING FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit H2-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003		2002	
	Budget	Actual	(Over) Under Budget	Actual
<u>REVENUE</u>				
Current Property Taxes	\$ 245,888	\$ 247,953	\$ (2,065)	\$ 217,007
Interest Earnings	2,500	2,334	166	3,469
 TOTAL REVENUE	 248,388	 250,287	 (1,899)	 220,476
<u>EXPENDITURES</u>				
Administrative				
Salaries and Wages	2,000	605	1,395	421
Social Security	125	37	88	26
Medicare	50	9	41	6
Unemployment	50	7	43	9
Office Supplies	200	40	160	
Postage	100	11	89	34
Contracted Office Services	2,500	2,500	-	2,000
Publishing	1,500	285	1,215	201
Insurance and Bonds	1,000	500	500	-
District Projects	75,000	-	75,000	-
Miscellaneous	50	-	50	-
Equipment	3,500	3,500	-	-
 TOTAL EXPENDITURES	 86,075	 7,494	 78,581	 2,697
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 162,313	 242,793	 (80,480)	 217,779
<u>OTHER FINANCING (USES)</u>				
Transfer To Other Funds				
West DDA Debt Service Fund	(134,420)	(134,420)	-	(123,000)
Transfer To Primary Government Fire Fund	(25,000)	(25,000)	-	(25,000)
 TOTAL OTHER FINANCING (USES)	 (159,420)	 (159,420)	 -	 (148,000)
 EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 2,893	 83,373	 (80,480)	 69,779
 FUND BALANCE - JANUARY 1	 211,181	 211,181	 -	 141,402
 FUND BALANCE - DECEMBER 31	 \$ 214,074	 \$ 294,554	 \$ (80,480)	 \$ 211,181

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
 WEST DOWNTOWN DEVELOPMENT AUTHORITY
 GENERAL OBLIGATION BOND
 DEBT SERVICE FUND
 COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit H3-1

	<u>ASSETS</u>	
	<u>2003</u>	<u>2002</u>
Cash in Checking	\$ 46,181	\$ 1,098
Investments	610	51,316
 TOTAL ASSETS	 <u>\$ 46,791</u>	 <u>\$ 52,414</u>
	 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	\$ -	\$ -
 <u>FUND BALANCE</u>		
Reserved for Debt Service	<u>46,791</u>	<u>52,414</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 46,791</u>	 <u>\$ 52,414</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
 WEST DOWNTOWN DEVELOPMENT AUTHORITY
 GENERAL OBLIGATION BOND
 DEBT SERVICE FUND
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002

Exhibit H3-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
Interest and Dividend Earnings	\$ 811	\$ 1,241
<u>EXPENDITURES</u>		
Debt Service		
Interest	8,840	16,250
Principal Payments	130,000	110,000
Paying Agent Fees	<u>2,014</u>	<u>1,263</u>
	-	
TOTAL EXPENDITURES	<u>140,854</u>	<u>127,513</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(140,043)	(126,272)
<u>OTHER FINANCING SOURCES</u>		
Transfer In From Other Fund		
West DDA Operating Fund	<u>134,420</u>	<u>123,000</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(5,623)	(3,272)
FUND BALANCE - JANUARY 1	<u>52,414</u>	<u>55,686</u>
FUND BALANCE - DECEMBER 31	<u>\$ 46,791</u>	<u>\$ 52,414</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
 WEST DOWNTOWN DEVELOPMENT AUTHORITY
 SPECIAL ASSESSMENT BOND
 DEBT SERVICE FUND
 COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit H4-1

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Cash in Checking	\$ 104,426	\$ 41,472
Investments	59	65,706
Interest Receivable	16,905	17,515
Special Assessment Receivable	<u>411,470</u>	<u>443,826</u>
 TOTAL ASSETS	 <u>\$ 532,860</u>	 <u>\$ 568,519</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 395,409	\$ 428,375
 <u>FUND BALANCE</u>		
Reserved for Debt Service	 <u>137,451</u>	 <u>140,144</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 532,860</u>	 <u>\$ 568,519</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
WEST DOWNTOWN DEVELOPMENT AUTHORITY
SPECIAL ASSESSMENT BOND
DEBT SERVICE FUND
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002

Exhibit H4-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
Special Assessments	\$ 32,966	\$ 32,966
Interest and Dividends Earnings	<u>35,423</u>	<u>46,004</u>
 TOTAL REVENUE	 68,389	 78,970
<u>EXPENDITURES</u>		
Debt Service		
Interest	35,508	38,048
Principal Payments	35,000	40,000
Paying Agent Fees	<u>574</u>	<u>527</u>
 TOTAL EXPENDITURES	 <u>71,082</u>	 <u>78,575</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 (2,693)	 395
 FUND BALANCE - JANUARY 1	 140,144	 139,749
 PRIOR PERIOD ADJUSTMENT	 <u>-</u>	 <u>-</u>
 RESTATED FUND BALANCE - JANUARY 1	 <u>140,144</u>	 <u>139,749</u>
 FUND BALANCE - DECEMBER 31	 <u>\$ 137,451</u>	 <u>\$ 140,144</u>

COMPONENT UNIT - CHARTER TOWNSHIP OF UNION
WEST DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF GENERAL LONG-TERM DEBT
DECEMBER 31, 2003

Exhibit H5-1

2003

AMOUNT AVAILABLE AND TO BE PROVIDED

Amount Available G.O. Bond Debt Service

\$ 46,791

Amount Available Special Assessment Debt Service

137,451

Amount to be Provided

930,740

TOTAL AMOUNT AVAILABLE AND TO BE PROVIDED

\$ 1,114,982

GENERAL LONG-TERM DEBT

General Obligation Limited Tax Bonds

1991 West Series II

\$ 624,982

1991 West Series III

-

Total General Obligation Limited Tax Bonds

624,982

Special Assessment Bonds

1991 West Series I

490,000

TOTAL GENERAL LONG-TERM DEBT

\$ 1,114,982

OTHER SUPPLEMENTAL DATA

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CHARTER TOWNSHIP OF UNION
GENERAL FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

Township Board

Fees and Per Diem	\$ 28,392
Professional and Contracted Services	1,270
Mileage	268
Community Promotion	633
Publishing	11,972
Miscellaneous	410
Membership and Dues	3,876
Uniforms	400
Education and Training	992
	<hr/>

Total Township Board	48,213
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Supervisor

Salaries and Wages	15,000
Office Supplies	3
Communication	560
Mileage	1,035
Uniforms	117
Education and Training	(39)
	<hr/>

Total Supervisor	16,676
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Township Superintendent

Salaries and Wages	29,990
Office Supplies	27
Mileage	966
Membership and Dues	50
Uniforms	82
Education and Training	1,252
Office Equipment & Furniture	62
Computer Hardware & Software	2,405
	<hr/>

Total Township Superintendent	34,834
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Elections

Postage	181
Operating Supplies	1,946
Mileage	55
Education and Training	8
	<hr/>

Total Elections	2,190
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Independent Accounting and Auditing

Contractual Services	8,325
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CHARTER TOWNSHIP OF UNION
GENERAL FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

Assessor

Salaries and Wages	\$ 47,605
Data Entry Clerk - Salaries and Wages	20,267
Office Supplies	185
Postage	1,350
Operating Supplies	301
Communication	494
Mileage	562
Mapping Expense	500
Membership and Dues	150
Uniforms	135
Education and Training	150
License & Royalty	210
Data Processing	884
Capital Outlay	1,075
	<hr/>
Total Assessor	73,868

Attorney

Legal Fees	9,762
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Clerk

Salaries and Wages	17,675
Communication	126
Mileage	311
Membership and Dues	100
Uniforms	88
Education and Training	1,207
	<hr/>
Total Clerk	19,507

Board of Review

Fees and Per Diem	1,200
Publishing	351
Education and Training	117
	<hr/>
Total Board of Review	1,668

Treasurer

Salaries and Wages	17,675
Office Supplies	400
Tax Bills	599
Postage	2,114
Professional and Contractual Services	599
Communication	123
Mileage	261
Miscellaneous	27
Uniforms	98
Education and Training	753
Filing Fees	50
	<hr/>
Total Treasurer	22,699

CHARTER TOWNSHIP OF UNION
GENERAL FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

Building and Grounds

Operating Supplies	\$ 5,172
Cleaning Supplies	803
Hall Cleaning	3,396
Maintenance Agreement on Equipment	3,818
Professional and Contractual Services	1,366
Communication	3,443
Safety	62
Utilities	7,229
Repairs	4,641
Postage Meter Rental	946
Miscellaneous	86
Books and Magazines	198
Hall Improvements	2,000
Capital Outlay	<u>2,943</u>

Total Building and Grounds

36,103

General Administrative

Salaries and Wages	32,689
Office Supplies	1,597
Postage	3,897
Professional and Contractual Services	717
Communication	972
Mileage	105
Publishing	177
Miscellaneous	85
Uniforms	99
Education and Training	209
Refunds and Rebates	<u>263</u>

Total General Administrative

40,810

Liquor Inspector

Salaries and Wages	5,200
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Drains at Large

Drains at Large	314
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Highways and Streets

Professional and Contractual Services	8,768
Roads and Street Projects	69,966
Miscellaneous	<u>250</u>

Total Highways and Streets

78,984

Street Lighting

Utilities	21,403
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CHARTER TOWNSHIP OF UNION
GENERAL FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

Parks and Recreation

Salaries and Wages	\$ 4,001
Temporary Labor	20,977
Gas/Fuel	797
Operating Supplies	2,998
Professional and Contractual Services	3,356
Communication	663
Safety	56
Utilities	4,053
Repairs	745
Township Vehicles	1,489
Rent	50
Miscellaneous	29
Capital Outlay	<u>12,257</u>

Total Parks and Recreation	51,471
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Employee Benefits

Hospitalization Insurance	53,548
Social Security - Township Share	15,223
Medicare - Township Share	3,559
Unemployment	900
Retirement Contribution	<u>18,768</u>

Total Employee Benefits	91,998
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Insurance

Vehicle Insurance	100
Liability Insurance	8,703
Worker's Compensation	131
Life Insurance	<u>882</u>

Total Insurance	9,816
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Special Assessments

Special Assessment	<u>3</u>
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Total Special Assessment	<u>3</u>
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Total General Fund Expenditures	<u>\$ 573,844</u>
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CHARTER TOWNSHIP OF UNION
CONSTRUCTION CODE ENFORCEMENT FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 2

Building Inspector

Salaries and Wages	\$ 19,114
Office Supplies	151
Postage	10
Operating Supplies	42
Legal Fees	497
Communication	514
Mileage	1,428
Membership and Dues	60
Uniforms	78
Education and Training	180
	180

Total Building Inspector	22,074
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Zoning Inspector

Salaries and Wages	29,602
Office Supplies	564
Postage	40
Operating Supplies	42
Legal Fees	297
Communication	488
Mileage	203
Books and Magazines	51
Membership and Dues	45
Uniforms	100
Education and Training	642
	642

Total Zoning Inspector	32,074
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Planning Commission

Fees and Per Diem	4,585
Postage	228
Operating Supplies	10
Legal Fees	800
Mileage	-
Printing and Publishing	6,285
Books and Magazines	14
Membership and Dues	367
	367

Total Planning Commission	12,289
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Zoning Board of Appeals

Fees and Per Diem	1,970
Postage	85
Operating Supplies	7
Publishing	666
Books and Magazines	14
Membership and Dues	318
	318

Total Zoning Board of Appeals	3,060
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CHARTER TOWNSHIP OF UNION
CONSTRUCTION CODE ENFORCEMENT FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 2

Employee Benefits

Hospitalization Insurance	\$ 4,529
Social Security - Township Share	3,463
Medicare - Township Share	810
Unemployment	255
Retirement Contribution	<u>3,225</u>

Total Employee Benefits	12,282
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Insurance

Workers Compensation	1,536
Life and Disability Insurance	<u>121</u>

Total Insurance	1,657
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Total Construction Code Enforcement Fund	<u>\$ 83,436</u>
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REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 30, 2004

Township Board
Charter Township of Union
Isabella County, Michigan

We have audited the financial statements of the Charter Township of Union as of and for the year ended December 31, 2003, and have issued our report thereon dated April 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of it compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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AUDITORS COMMUNICATION REPORT

April 30, 2004

Township Board
Charter Township of Union
Isabella County, Michigan

We have recently completed our audit of the general-purpose financial statements of the Charter Township of Union for the year ended December 31, 2003. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the "Audit Committee" or a governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the Township Board and others within the organization.

**AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED
IN THE UNITED STATES**

We conducted our audit of the financial statements of the Charter Township of Union in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
Charter Township of Union
April 30, 2004

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

Nearly all balances on the financial statements of the Charter Township of Union are based on actual results and balances versus estimates. The only estimates made by the Charter Township of Union is a provision for uncollectible utility accounts and a provision for uncollectible personal property taxes. These estimates made by the Township were reasonable in this case.

SIGNIFICANT AUDIT ADJUSTMENTS

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed.

Audit adjustments do have a significant impact on revenues and expenditures reported on unadjusted financial statements for the year ended December 31, 2003, as follows:

SIGNIFICANT AUDIT ADJUSTMENTS (CONTINUED)

Fund	Beginning Revenue	Audited Revenue	Increase/ (Decrease)	Beginning Expenditures	Audited Expenditures	Increase/ (Decrease)
General	\$ 898,241	\$ 910,258	\$ 12,017	\$ 633,502	\$ 634,338	\$ 836
Fire	493,626	498,240	4,614	389,113	389,113	-
Construction Code	150,443	150,443	-	86,302	83,436	(2,866)
Sewer	2,371,905	2,600,248	228,343	1,372,438	1,703,571	331,133
Water	1,029,421	1,053,267	23,846	648,650	764,114	115,464
EDDA Operating	732,246	739,741	7,495	623,589	629,088	5,499
WDDA Operating	248,222	250,287	2,065	166,914	166,914	-
EDDA Debt Service	389,346	389,346	-	397,370	397,370	-
WDDA G.O. Debt	135,231	135,231	-	140,854	140,854	-
WDDA S.A. Debt	35,423	68,389	32,966	71,082	71,082	-

While many adjustments have to do with year end accruals, the adjustments in the sewer and water funds are significant. The Township needs to emphasize the importance of maintaining accurate books internally on an ongoing basis and should not rely on the year end audited balances to be the only time that correct information is reported. In addition to the Superintendent, a listing of the audit adjustments was provided to the Audit Committee pointing out those adjustments that we felt should be prepared by the township staff internally.

COMMENTS/RECOMMENDATIONS REGARDING CONTROLS AND EFFICIENCIES

Conformance to Internal Policies

In reviewing various written policies of the Township, we noted many instances that policies are not being followed or it is not clear that they are followed. This suggests that the policies are being circumvented or are perhaps out of date. A specific list of example policies that we found to not be followed was provided to the Audit Committee for further investigation and scrutiny. We recommend that adherence to the policies be maintained or if out dated that the policies be updated to reflect the current practice or policy.

Fixed Assets

We noted significant deficiencies in the Township's fixed asset records that have been prepared for the implementation of GASB 34. These records need to be updated and completed as soon as possible. The balances as of December 31, 2003 need to be audited as the onset of the implementation date. This was not done, as these records are incomplete at this time. A more specific list of deficiencies noted to date was provided to the Audit Committee.

Other Issues

We noted a number of other internal control, efficiency issues and other observations that were reported to and gone over in more detail with the audit committee.

Township Board
Charter Township of Union
April 30, 2004

SUMMARY

We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any of these or other questions that you might have at your convenience

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